S. HRG. 103-627

NOMINATION

HEARING

OF THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

DONNA E. SHALALA, OF WISCONSIN, TO BE SECRETARY OF HEALTH AND HUMAN SERVICES

JANUARY 15, 1993

Printed for the use of the Committee on Labor and Human Resources

U.S. GOVERNMENT PRINTING OFFICE

81-353 CC WASHINGTON : 1993

For sale by the U.S Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-044669-4

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NOMINATION

FRIDAY, JANUARY 15, 1993

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:06 a.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (chairman of the committee) presiding.

Present: Senators Kennedy, Pell, Metzenbaum, Dodd, Simon, Mikulski, Wofford, and Thurmond.

OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. We'll come to order.

We want to extend a very warm welcome to the President's nominee to be the Secretary of HHS. We are delighted to have her before our committee this morning, and we look forward to having her presented by a very good and valued friend of all of us, Eleanor Holmes Norton, Congresswoman from the District.

We want to extend a very warm welcome to the nominee and to say how delighted we are that she has been designated by the President-elect to head this agency, which really is the lifeline to millions of our fellow citizens.

Donna Shalala comes to this position with an extraordinary resume of achievements and accomplishments in the areas in which this Department is focused. She is presently Chancellor of the University of Wisconsin, and is a former president of Hunter College in New York, where she was very much involved in the urban issues of that great city.

As someone who has been a forceful and articulate spokesperson for children in our society as chairman of the Children's Defense Fund, who has spoken all over the country, and whose voice has been heard—and perhaps not heeded as much as most of us would like—in the halls of Congress, and as someone who has taken an extraordinary interest in health care and health care policies at the University of Wisconsin, which has some of the most important and significant health assets and education programs of any university in this country—all of that has been based upon an extraordinary lifetime commitment to public service that really started in the Peace Corps as a volunteer who devoted two very impressive years working under very trying and challenging conditions, and I think from that time on, for a lifetime, has been devoted to public interests and public service, particularly the human aspects of the central challenges of our country and of families across the country.

The motto of the Department of Health and Human Services is "Hope is the anchor of life." I think, stated another way, its mission is really to bring a sense of hope to the hopeless in our society, a sense of help to the helpless in our society, and basically the promise of a better life to all Americans.

We are delighted to welcome her here to the Committee this morning.

I would now recognize Senator Kassebaum.

[The prepared statement of Senator Kennedy follows:]

PREPARED STATEMENT OF SENATOR KENNEDY

The Secretary of Health and Human Services employs 126,000 people and has a budget of $590 billion; If it were a country, it would have the third largest GNP in the world.

But the real importance of the Department cannot be expressed in terms of numbers of employees or dollars of spending. The motto of the Department—"Hope is the Anchor of Life"—states its mission of bringing hope to the hopeless, help to the helpless, and the promise of a better life to all Americans.

The Secretary of HHS is responsible for two Federal programs that are life lines for millions of senior citizens—Social Security and Medicare. The Secretary of HHS is also the champion of America's children—especially the disadvantaged; the Department has responsibility for Head Start, early childhood health care, and other essential programs that mean hope to millions of children and a chance for the American dream. The new Secretary will face no higher priorities than repairing the tattered safety net that these programs are intended to be.

HHS programs are also vital to the well-being of all our citizens. Without the Food and Drug Administration, Americans could not go to the grocery store with any confidence that the food they buy is safe and healthy. No sick American could be confident their prescription drugs are safe and effective. No American needing a medical device could be sure that the device would help more than it would harm.

The National Institute's of Health are internationally renowned, a symbol of America's pre-eminence of leadership in medical research and in the ongoing world-wide battle against disease in this country and many other countries.

Finally, and above all, the new Secretary will be a leader in carrying out President-elect Clinton's mandate for change. Whether the issue is comprehensive health reform, the battle against AIDS, or investing in the Nation's children, HHS will have a central role.

Donna Shalala is an outstanding choice to lead the Department. She has served with great distinction in a variety of posts. She is currently chancellor of the University of Wisconsin. She is the former president of Hunter College of the City University of New York. In addition, she served as Assistant Secretary for Policy Development and Research in the Department of Housing and Urban Development in the Carter administration.

She is the chairman of the Children's Defense Fund, which has been an indispensable candle lighting the darkness of children's policy in recent years.

She has served on a long list of boards and commissions dealing with important policy issues. She is widely recognized for her ability to decide and act, to manage and to lead. Throughout her brilliant career, she has demonstrated her extraordinary commitment to making America a better and fairer nation. I look forward to her testimony, and to working with her in the years ahead.

OPENING STATEMENT OF SENATOR KASSEBAUM

Senator KASSEBAUM. Thank you, Mr. Chairman. I know Dr. Shalala and have been an admirer of her work in academic circles and elsewhere. I want to join the chairman in congratulating her on her nomination as Secretary of Health and Human Services.

You are a woman who has shown enormous talent, and you bring to this nomination an impressive record of varied public service both inside and outside of Government.

Taking the helm of a huge and often unwieldy agency will require every ounce of your capable skills as an administrator. I think it is interesting to note that employing a work force of 162,000, HHS oversees a budget approaching $600 billion. Only the nations of Germany, Japan, and the United States itself have budgets in excess of this amount.

Of all the challenges facing the next Secretary of Health and Human Services, none is greater than the urgent need to develop comprehensive national health care reform. I know, this came up yesterday in the Finance Committee, which is the committee that votes on your confirmation. I will be interested, as I know we all will be, in the role that you plan to play in the process, and what ideas and directions you hope to bring to the table.

It would be my hope that we can work together to develop a bipartisan, responsible reform program. Like the President-elect, I firmly believe that health care reform must be both tough on rising costs and comprehensive in expansion of access to the uninsured. At the same time, I believe it is important to keep in mind that any reform proposals too heavily reliant to regulatory control or binding mandates will face rough sailing with the majority of Americans.

I thought it was interesting that in this week's Business Week, there is a story on "Dr. Clinton has Grim News on Managed Care." It ends with, "The President-elect has to level with the American public early on. It helps that Dr. Fixit has a soothing bedside manner, but sooner rather than later, he has to tell the patient that major surgery is required, and the procedure won't be painless." I think that in many ways, that says exactly what does lie ahead for us.

As you may know, early last year, I introduced reform legislation that offers, I think, a responsible compromise on the health reform issue. It is called the BasiCare Health Access and Cost Control Act, and we will touch on that later.

The next Secretary of Health and Human Services also will have, I think, a particular responsibility to assure that, as health care reform progresses, sufficient care and attention are given to critical related issues, such as health care delivery in rural and underserved areas, supply of primary care physicians, and the future of America's public health infrastructure.

Dr. Shalala, I was very encouraged by a statement you made at the time of your nomination, in which you announced your interest to "energize that huge HHS bureaucracy to demonstrate that Government can be sensitive, caring and accountable."

One of my own priorities in the coming session will be to pursue ways in which the vast bureaucracy at HHS can be reformed to assure better efficiency and a return on the taxpayers' dollars, because I think what the public really wants today is accountability, I am sure you understand that very well.

Perhaps nowhere is the lack of Federal program coordination more starkly evident than in the area of children's services. The Federal Government spends hundreds of billions of dollars on income support, nutrition, social service, education, health, and housing programs designed to provide support and assistance to children and their families. And yet, our many different programs exist at best as an inadequate patchwork with little coordination or integration.

I think that it should be a priority of the coming Congress to rethink the way we provide assistance to children and their families and to try to create a response that makes more effective use of our resources. I know that this is a subject you understand and care about, and it isn't only the need to be accountable, but to be caring as well.

I would just like to conclude by stressing the significant challenges that we face in the area of food and drug policy. As you know, the pace of pharmaceutical and technology development, particularly in the area of biotech pharmaceuticals, has greatly increased new drug and technology applications to the Food and Drug Administration. At the same time, Congress in recent years has passed a number of major initiatives greatly expanding FDA's responsibilities, especially in the areas of food labeling and medical device regulation.

Particularly as our trading partners and competitors abroad move to streamline their food, drug and technology approval processes, I believe it is critical that we also scrutinize and improve FDA processes. Indeed, there is much in the area of FDA policy deserving of careful review. Just to mention a particular interest of mine, I would like to reinforce my strong interest in reforming the Orphan Drug Act.

Senator METZENBAUM. Amen.

Senator KASSEBAUM. Dr. Shalala, you have a truly daunting set of challenges ahead of you, particularly in the area of health care reform. I certainly look forward to your comments this morning and as we work together in the critical months and years ahead.

I would just like to make an addendum to my opening comments. In yesterday's Washington Post, questions were raised about your handling of a case at the University of Wisconsin where two prominent scientists were accused of scientific fraud. We discussed this yesterday by phone. Your staff and mine worked until late last night to get the documents that I think were necessary to set this in perspective and provide an understanding of this situation. However, I will look forward to discussing this further, and I would like to commend those who worked late last night to produce the documents and additional materials. I will pursue this with you later

in our discussion, and I hope that you might address the situation in your comments.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

We have limited opening statements to move ahead, but since we are on a committee where all members are obviously equal, if someone feels compelled to make any comments, we will recognize him at this time.

Senator PELL. Mr. Chairman.

The CHAIRMAN. Senator Pell.

OPENING STATEMENT OF SENATOR PELL

Senator PELL. Thank you very much. I have just a two-minute statement. The motto of my State of Rhode Island is "Hope," and I think that the presence of Dr. Shalala will give great hope to a great many people. A person of her optimism and enthusiasm and liveliness brings a great deal to this job and to the United States and the American people.

And finally, to make a very bad pun, I'm sure she'll emphasize a pretty tough and pretty mean shillelagh on those who don't want to cooperate.

The CHAIRMAN. Claiborne never disappoints us. [Laughter.]

Senator Thurmond.

Senator THURMOND. Mr. Chairman, I cannot be here for the questioning, and if you could give me about two and a half minutes.

The CHAIRMAN. We welcome whatever comments; the Senator is recognized.

OPENING STATEMENT OF SENATOR THURMOND

Senator THURMOND. Mr. Chairman, it is a pleasure to be here this morning. I want to join the chairman and the members of the committee on Labor and Human Resources in extending a warm welcome to Secretary nominee Donna Shalala.

Ms. Shalala has an extensive background in education and public service. She is a 1962 graduate of Western College for Women. After college, Ms. Shalala spent 2 years in the Peace Corps in Iran. She earned her doctorate in 1970 from Syracuse University. In 1977, she served as assistant secretary for policy development and research at the Department of Housing and Urban Development. Since December of 1988, she has been chancellor at the University of Wisconsin at Madison.

Mr. Chairman, the Secretary of the Department of Health and Human Services has the responsibility to oversee the Social Security Administration, the Health Care Financing Administration, the Administration for Children and Families, and the Public Health Service. The Secretary has the responsibility to organize the Department of Health and Human Services so that it will create and maintain an atmosphere that continues to serve the health and well-being of American citizens, from newborn infants to our most elderly citizens.

The Secretary must constantly plan and evaluate the services provided by the Federal Government. The incoming Secretary will

be challenged with the responsibility to confront the growing crisis in our medical care system. Nearly 35 million American are either underinsured or uninsured. Medicare alone is the fourth-largest item in the Federal budget. Recent reports indicate that Medicare and Medicaid are troubled by fraud and abuse.

In this time of scarce Federal resources, we must streamline the bureaucracy and cut out payment policies that may encourage abuse and excessive charges.

Ms. Shalala, it is a pleasure to have you here today.

Thank you, Mr. Chairman. At this time, I must leave to attend another meeting. Thank you very much.

The CHAIRMAN. Thank you, Senator Thurmond.

Senator Metzenbaum.

OPENING STATEMENT OF SENATOR METZENBAUM

Senator METZENBAUM. Ms. Shalala, I can't tell you what a great sense of pride I feel sitting here at your confirmation. You come from Cleveland; you still have family in Cleveland, and you were always a dynamic individual, involved in community affairs, and you have gone on from there to much more.

Without exception, you have always taken a position of conviction and concern, and you have not hesitated to speak out. And that is the reason why I get such a tremendous sense of satisfaction in your appointment, because in the health care field, somehow the idea has come across that this is not a matter in the health and human services area, but somehow belongs to the Treasury or the Finance Committee or something different. And I think that one of the most challenging battles that you will have at the inception is to get part of the turf in determining what is going to happen in the health care field.

No more challenging problem faces this Nation. We spend the money—we spent $840 billion on health care in 1992. That is 14 percent of our GDP—far more than any other industrialized country. But we aren't getting much for our dollar. And I think that a voice such as yours, a commitment such as yours, a concern such as yours, is very vital and necessary to be involved in what this country decides to do with respect to the health care challenge. And I urge you as strongly as I know how to let the administration know, let the President know, that you want to be involved in that, and that you will be involved, and I can assure you that this committee will be supporting you in that effort.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Simon.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. Thank you, Mr. Chairman.

Ms. Shalala, I join in welcoming you. I was all for you until I heard about your Cleveland background—and Senator Metzenbaum didn't even hear me. [Laughter.]

Let me just add that I had not heard that there was a motto at HHS until the chairman just mentioned that here, that "Hope is the anchor of life," and then Senator Pell mentioned that "Hope" is the motto for the State of Rhode Island.

I think the great division in our society is not between black and white, not between Hispanic and Anglo; it is between people who have hope and people who have given up. And in addition to the health care crisis which you will have to confront, the whole question of those who have been left out of our society really falls to a great extent on your Department.

I notice, in going through this long list of publications and lectures, that you gave a lecture on "The Most Influential Americans: What's Wrong with this Picture?" I would like to read that lecture. But what is wrong is that the most influential Americans in terms of policy are those who are the affluent Americans; the people who have fallen through the cracks, we are not paying attention to as we should. Even from a pure economic point of view, they are a huge lost resource. We ought to turn that around. And I think you have enough pizzazz and spark and energy to help turn that around, and I am very pleased that you are where you are.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Wofford.

OPENING STATEMENT OF SENATOR WOFFORD

Senator WOFFORD. Mr. Chairman, I couldn't face my daughter, who is on the faculty of the University of Wisconsin, if I didn't warmly welcome her chancellor, whose loss she feels sorely, but knows that it is the Nation's gain. And I wouldn't be doing my duty by the 150,000 veterans of the Peace Corps if I didn't salute our Secretary to-be. They are, I know, proud that someone who was an outstanding volunteer then came home into public service here and has done as much as you have done.

I have followed you, as you know, in friendly fashion over the years on one challenge after another, in academia and in public life, and in managing great institutions, and I am confident that you have the drive and the vision and the antibureaucratic spirit that can take on this big, heavy bureaucracy, can shape a practical way that will take welfare from welfare to work, and right way, in terms of the most immediate challenge, will take on the health care reform assignment that we have, not just from our President-elect and his committee, but from the harsh logic of events and facts that are piling high.

One of those facts which I know you are aware of, and I think we must never forget, is that a reason you are here, a reason the President-elect is here, certainly a major reason that I am here, is that the people are feeling the heat of this problem, and they want action to make health care affordable and available; they want it this year; they want it as soon as possible; they want it good, so that we have to take the time to make it good, but they want the constructive use of time. And so with all speed, we need to move to that challenge, and I am delighted that you are going to be one of the key leaders in, while the iron is hot, hammering a good, affordable, American health care plan for everyone.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Mikulski.

OPENING STATEMENT OF SENATOR MIKULSKI

Senator MIKULSKI. Thank you, Mr. Chairman.

I would like to welcome Dr. Shalala to the committee for her confirmation hearing in the warmest and most enthusiastic way. I look forward to hearing Dr. Shalala's testimony, but I think her whole life has been a testimony—growing up in the streets of Cleveland, working in the neighborhoods, directing traffic even during a tornado—and I have a feeling that that will be a metaphor for her work with President-elect Bill Clinton.

I am so pleased that short, chunky Democrats are now back in style. [Laughter.] I feel that a new day has come and that there will be new protocols and research that will meet more of "our" crowd's needs.

But on a serious note, I know that Dr. Shalala brings, again, the expertise of a lifetime. Both by growing up in neighborhoods like Cleveland, she understands the dynamics of urban life, and by working with a charismatic leader at HUD, Pat Harris, and being the head of policy and planning, then on to higher education, and now here, we know that she brings expertise. We know that she brings confidence. We know that she brings competence, and also the experience of what it is meant to be in exile, where we now know that we have to operationalize good intentions and that we have to operationalize those good intentions in a way that is not only desirable, but feasible, and then implements our larger Clinton-Gore agenda.

We in Maryland are eager for you to be here. Those at NIH, all those Nobel Prize winners, cannot wait to shake your hand. All those FDA employees in 37 different scattered sites where we tried to modernize, and the old OMB jerked us around, are waiting to shake your hand. I shook their hands. And then we want to go around the beltway to the Social Security Administration, which is in good shape thanks to the leadership of Gwen King, waiting to see you so that they can deliver those services. And over there at the Health Care Financing Agency, which has been wrecked by political appointees who have left it a Superfund site, they can't wait for you to begin the containment and cleanup.

Other than that, I have nothing that I want to work with you or talk with you about, and let's show that we might be short, but we sure are spunky. [Laughter.]

The CHAIRMAN. You are going to have a lot of hand-shaking, Dr. Shalala.

I also want to say that Congressman Eddie Boland, who for years was one of our really outstanding Congressmen from Massachusetts, was chairman of the Appropriations Committee that worked very closely with you at HUD, and I was talking with him yesterday, and he wanted to extend a very warm welcome. He has not only enormous personal regard but a very high professional regard for the job that you did there as well.

The CHAIRMAN. We'll now recognize Eleanor Holmes Norton. We appreciate very much your willingness to join us this morning and are grateful to you for your presence and look forward to whatever comments you'd like to make.

STATEMENT OF THE HONORABLE ELEANOR HOLMES NORTON, A REPRESENTATIVE IN CONGRESS FROM THE DISTRICT OF COLUMBIA

Ms. NORTON. Thank you, Mr. Chairman.

I am here this morning to introduce a personal and a family friend, a woman I have known in addition as a professional, since we were both young and in New York.

What brings me here to introduce Donna Shalala are her unusual professional achievements, in many ways tailormade for the HHS position.

I have seen Donna Shalala go through successive transformations toward ever greater executive responsibility without ever losing her bearings and anchor to a set of strong commitments to fairness and equality.

Dr. Donna Shalala has been tested in the way one might even prescribe for HHS, by literally being promoted for outstanding achievements in jobs in which it was difficult to succeed.

As a former academic myself, I must say that to leave the leadership of an academic institution intact today is considered an achievement; to leave two of them to the sound of kudos, as Donna has, has become rare indeed.

Donna left not only her mark; she left with high marks. HHS is surely larger, but it can't be more complicated than running an academic institution.

The truth is, Mr. Chairman, that not a lot of women have had the opportunity to run, much less succeed in running, large complexes like large and great universities of the kind that best prepare a nominee for the HHS challenge. Donna Shalala has daunting energy and the optimum experience and record of accomplishment it will take to tackle health care, welfare reform, and the Social Security system.

It is hard to imagine that Donna is a twin—a fraternal twin, though; there can't be two of them. She is one of a kind. President-elect Clinton has found the right woman for the job—a woman with a soft heart but a tough mind and a strong will.

Thank you, Mr. Chairman. I am pleased to recommend Dr. Shalala to you.

The CHAIRMAN. Thank you very much. We appreciate your comments, and we are delighted to have you here and invite you to remain during the course of the hearing. We know you have other responsibilities, and we appreciate you taking the time to be here.

Ms. NORTON. Thank you.

The CHAIRMAN. Before we begin I have a prepared statement from Senator Hatch.

[The prepared statement of Senator Hatch follows:]

PREPARED STATEMENT OF SENATOR HATCH

Mr. Chairman, our Government is undergoing a tremendous change as an outgoing administration makes way for a new one. As part of that transition, we have the unique privilege and responsibility of "advising and consenting" to the President-elect's nominees for various leadership positions within the Federal Government. Of course, that includes the nomination of Dr. Donna

Shalala as Secretary of the Department of Health and Human Services.

It has been noted that the Department of Health and Human Services "touches the lives of all Americans . . . from birth to death, through health and sickness, from the foods we eat to the medicines we take, to the care of our elderly and disabled." Indeed, the decisions made by the Secretary of Health and Human Services have a more immediate and direct impact on the lives of individual Americans than any other cabinet nominee going through the current confirmation process.

Likewise, the programs over which the Labor and Human Resources Committee has jurisdiction attempt to address many of these same problems of public health—problems that if left unsolved result in a tremendous burden to our health care financing and delivery system. It is in part why you are here today and why this committee is important to health care reform policy debate.

It is troublesome to me that we hear almost nothing about the changes to the health care delivery system that will be needed if the reforms in the health care financing area are to be successful.

Dr. Shalala talked yesterday about the importance of the oftentimes forgotten organizational and structural changes that are necessary and often critical to the successful implementation of a program. I was encouraged because Dr. Shalala seemed to recognize that many of the unintended ballooning effects of DRGs such as Senator Durenberger spoke about were in fact predictable. We spend inordinate amount of time, energy, and talent on plans but pay little attention to implementation needs.

During our brief meeting last week, Dr. Shalala and I discussed some of the varied challenges that she will face as the incoming Secretary. These challenges include the changes in the organizational structure of the Department of Health and Human Services that will be needed if we are to be successful in solving the critical problems in the health care area. We also discussed the issues and problems of the Food and Drug Administration. I pointed out areas where I thought change was needed and look forward to working with Dr. Shalala to improve the situation.

This nomination hearing provides the Labor Committee and the American people an opportunity to learn Dr. Shalala's philosophy and goals for the Department of Health and Human Services. While I realize the plans for health reform are not finalized, I am particularly interested in your plans for health reform that address the needs of America's rural population

In the past, I have enjoyed good working relationships with the previous Secretaries of Health and Human Services, including the outgoing Secretary, Dr. Louis Sullivan. No one worked harder for the health and welfare of all Americans than Dr. Sullivan. But, while differences of opinion are inevitable from time to time, I look forward to working with Dr. Shalala as the new Sercetary of Health and Human Services.

The CHAIRMAN. Donna Shalala, we'd be glad to hear from you.

STATEMENT OF DONNA E. SHALALA, NOMINATED TO BE SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. SHALALA. Thank you.

First, let me thank my dear friend Eleanor Holmes Norton for taking the time to present me to the committee today. And of course, I would like to thank all of you for your very kind opening comments.

I'd like to start, Mr. Chairman, by explaining about my name, which you will appreciate. My ancestry is Lebanese——

The CHAIRMAN. I have learned a lot about that recently.

Ms. SHALALA. —and very early in my life, I was kidded by schoolmates about having a name that sounded Irish. So I went to my Lebanese grandfather and asked him how we could be Lebanese if I had this Irish last name. And he said, "Well, simply tell people that there was an Irish crusader who went to Lebanon and messed up."

The CHAIRMAN. His name wasn't Fitzgerald, was it? [Laughter.]

Ms. SHALALA. Mr. Chairman, I gave a lengthy opening address yesterday at the Finance Committee. I'd rather this morning be brief, but hit on what I think are the challenges of the Department of Health and Human Services.

I might begin by responding a little to Senator Simon's point about a speech that I gave not very long ago, outlining who are the most influential Americans. And I will actually take the time to send all of you the speech, because I described the most influential Americans as a young person growing up in Robert Taylor Homes in Chicago, or in the ghettos of Los Angeles, or in the Huff area of Cleveland; the poorest among us, the children for whom there is no hope or seemingly no hope.

What I argued in that paper was that our future is inextricably tied to what we do now for those children, whether it is health care costs or welfare costs or the costs to the criminal justice system; unless we are prepared to invest now in the poorest and the weakest among us, this Nation will pay for certainly the rest of our generation and generations to come.

That is the kind of thinking and the kind of philosophy I hope to bring to the Department of Health and Human Services, that if we invest early, whether it is our commitment to an immunization program that I believe is the kind of investment that will have long-term effects on health care costs, or whether we invest in overall health care reform and put the emphasis on preventive services and on primary care, beginning to think about investments in HHS as opposed to pouring more money on the public dole, beginning to think of HHS as having a strategy which will have long-term positive effects on our society, thinking strategically about investments with Head Start, with jobs tied to the welfare reform proposal, that these are the things that will begin to not only energize the Department of Health and Human Services but make a difference in terms of our future in this country.

As we end this century, I believe that it is important that we begin to change our philosophy and think in terms of early investments. In the course of our conversation this morning, we might talk about some of the diseases in which we must invest, like

AIDS, but tuberculosis, too, because we are beginning to see a new 19th century disease that we thought we had eradicated back, particularly in our largest cities in this country, and if we don't catch it early, the long-term costs are going to be enormous.

So over the years when I'll be coming to you, I hope I will be coming and translating a strategy, an early investment strategy, that recognizes that early investment will make a difference in terms of our long-term future, recognizing that the people who will influence this country most are not those of us of wealth or those who write for the major newspapers, but those that many people don't think about—the poorest and particularly the young people among us.

Second, we hope in the new administration to recognize that many of our departments were organized during an earlier era, and that there are issues that cut across departments. And when you ask me questions like who is going to lead health care, or whether we are going to have a family and children's policy, I hope that you will understand that my answer is that we are going to put together teams across the Government. This morning, I talked a little to Mike Espy, who is the Secretary-designate for the Department of Agriculture. He and I share a deep concern for children, and the WIC program is, of course, at Agriculture.

I talked the other day with the new head of the Environmental Protection agency, and she shares a concern for lead-based paint issues.

So as we look at problems for children and families, we are going to try to avoid the kind of bureaucratic task forces, and put together dynamic strategies across Government that argue for particular investments that will make a difference and improve the lives of all of our children and families. And the same thing will go on in health care.

Finally, let me simply list some of our early commitments in the Clinton administration, and there are really four or five. Health care reform obviously is at the top of our list, and the President-elect expects us to produce under his leadership a major proposal to be dealt with in this session of Congress.

Welfare reform. We will have a team together for welfare reform, I hope, the first week that, if we are confirmed, we get into the Department.

Head Start. It is time that Head Start was fully funded and really fully funded. We will begin with some requests to extend it across the summer, but you can expect requests in the future for full-day Head Start. Working parents need full-day, full-year Head Start. We need to enrich the program. We have learned some things now about getting children ready for school, and we need to translate that research into enriching the Head Start program.

Immunization. It is a scandal that this country does not have a system by which every child under 2 gets their shots. And I know that a number of you are deeply committed to that program. That is another program that we are going to hit the ground running on. The CDC already has some plans, and I will be requesting additional resources for the immunization program.

Finally, not only will we organize the Government by teams on these high priorities, but just as important, within the agency, we

will try to get around some of the bureaucratic morass that has existed before. We are going to try to change people's thinking so that they understand who their customers are and who the people are that we are trying to serve.

I happen to think that HHS has some of the most gifted civil servants that we have in Government. The problem is not with the bureaucrats; the problem is with the bureaucracy. And when I talk about energizing the bureaucracy, I am talking about fundamentally changing the orientation so everybody understands and has bought into and contributed to the mission and then put systems in place so we can be far more responsive than we have been before.

I have no reason to believe that the hard-working members of HHS' civil service, many of whom work in Maryland, will not respond to that opportunity.

Finally, let me say something about the broader issues that face the Department—issues of scientific fraud, which I have had extensive experience dealing with; of conflict of interest; issues of leadership in science that have a great deal to do with our economic future. Again, like those early investments, people often think of HHS as simply a large bureaucracy that eats up money; but what goes on today in the National Institutes of Health may have more to do in terms of our economic future in terms of creating new knowledge than any other part of the Government, and that needs the kind of attention that I intend to pay to it.

I am pleased to be here before the committee. I look forward to working with all of you. This will be a collegial and hopefully a bipartisan relationship. We know that we can't do it alone and that we very much have to work hand-in-hand with the Congress and with, in this case, our appropriate Senate committees.

Thank you very much, Senator.

[Biography of Ms. Shalala with attachments may be found in additional material.]

The CHAIRMAN. Thank you very much for a very concise but important presentation on the role of your priorities and the administration's priorities.

We'll have a 10-minute rule, and I'll ask the staff to keep track of the time.

First of all, on the issues of immunization and the Head Start program, in 1977 it cost $11 to buy vaccines needed to immunize a child here in the United States; in 1992, it costs $233. Nationally our immunization rates for year olds range from 90 percent to 60 percent but in many communities only 10 percent to 20 percent of young children are immunized.

Your emphasis on children and immunization is enormously commendable. I think anyone who knows your career understands that that has been at the forefront. There will be a bill introduced by a number of us early in this session to fund a comprehensive childhood immunization program as well as full funding of Head Start over a period of 5 years.

I know that you are meeting with the President and the decisions affecting the investment strategy are going to be made. I would certainly hope the investment strategy in terms of the children would include school readiness, the immunization program

and Head Start. I gather that you are sympathetic to that approach.

Ms. SHALALA. Yes. As a matter of fact, I am so committed to it that when I sat down with the President when he offered me the position, I reviewed those issues in particular with him because I think it is very important that we get started here.

The CHAIRMAN. Well, I hope that part of that program that the President announces will include that support, as you have very well and very effectively articulated.

Health care reform is my top priority, and I know you list it among your top priorities as well. Do you agree that cost control and universal coverage should be part of a health reform strategy and that they be considered as a package?

Ms. SHALALA. Absolutely.

The CHAIRMAN. There are a number of different approaches to controlling costs—managed competition, national expenditure targets, rate regulation, and regulation of insurance company premiums. Have you reached any conclusions about what the mix would be, or at least your own views about how to put the cost control into effect?

Ms. SHALALA. Senator, the President-elect has outlined a managed competition plan which has a global budget on top of it as a check, so we are trying to marry two ideas in some sense. There is no question, though, that what we are trying to do is develop a uniquely American plan that builds on the private and public sector programs that we currently have, and that suggests a program that holds insurers accountable for cost and quality, that pools consumers and business and regional groups to act as powerful bargaining agents——

The CHAIRMAN. Such as the HIPC concept.

Ms. SHALALA. —yes—so that the people have a choice of health plans and a comprehensive benefits package. These are the elements. But on top of that, putting a national budget of some kind to make sure that rather than getting into the details of regulation, we have some commitment on numbers—not targets, but an actual budget. And the details of how that will be worked out are being worked through now.

One of the problems that I have—and you can understand this—is that we are working out of a transition office that doesn't have the high speed computers that I am used to and access to the actuaries. And we will be taking a team on the first day with us into HHS to get to work on filling out the details.

The CHAIRMAN. I think that is an enormously positive response. As I gather, you are talking about giving maximum flexibility to individuals in a range of different health care programs. This would include the assemblages of these HIPCs which have worked in different parts of our country and could be created in the States which don't have them in order to provide important bargaining features to bring pressure on the system to keep costs under control through negotiations. I believe you are looking for competition between the HMOs and other delivery systems. As I understand it further, above that, you hope to get savings, but if those savings are not sufficient at least there is going to be some kind of global budget. Is that right?

Ms. SHALALA. Yes.

The CHAIRMAN. The President-elect has emphasized how important it is in terms of health care costs to get the total budget under control. In identifying that in the course of the campaign, I think he demonstrated his real comprehension of one of the most fundamental and basic concepts of this whole complicated issue.

Many of our friends and colleagues in the Senate were talking about capping Federal health care costs. They represent 85 percent of the increase in entitlements. But as we have seen, you cap those entitlements, and those costs are just passed on to the private sector, and eventually many of our colleagues in the Congress understood that and really backed off. And the President-elect's understanding of the importance of getting the total budget deficit under control through control of health care costs is, I think, enormously important.

Have you formed an opinion as to whether those savings will be used to expand access?

Ms. SHALALA. Senator, the President-elect has indicated that at least the public part of the savings will be poured into access, and I indicated yesterday that my hope is that the first group for access will be families and children.

The CHAIRMAN. That is very helpful.

I read through your presentation over at the Finance Committee yesterday, and the long-term care issue was only referred to in a passing way. I think it is enormously important, as I'm sure all of us do, and as someone who has a mother who is 102 years young and whom we are able to take care of at home, we are constantly reminded about the value system just in having a person be able to remain at home and what that means in terms of the family. This is incredibly important for those who want to retain home residency and those who must make the choice in terms of the nursing home alternative. But I'd be interested in your comments on the importance of long-term care as well.

Ms. SHALALA. Senator, we are going to look at the long-term care issue as part of the national health reform proposal. We don't think we should leave it out and leave it separate.

We have learned a lot over the last two decades about the need for alternatives. For some families, a nursing home is very important; for other families, they want to keep their loved one at home. The philosophy and the thinking behind this ought to be to strengthen families. And as we think about these programs, it seems to me it ought not to just be what is the most cost-efficient way to do it, but what strengthens families. If we are really committed to strengthening families, then we are going to need to make sure that our programs are flexible.

The CHAIRMAN. In the time that I've been around here dealing with health issues, that is the first time I have heard those comments by any administration officials, and I think that it has to be enormously reassuring to the senior citizens of this country. That is really of fundamental and basic importance and is too often overlooked, and I commend you for it.

My time is running out, but I want to ask you one final question. Senator Kassebaum has mentioned, that there have been questions concerning allegations of scientific misconduct made against Uni-

versity of Wisconsin researchers. I know you have been very involved in that issue, and I would like to have your views on that difficult situation specifically. I'd like to ask you how you plan to address issues of scientific misconduct and conflict of interest as Secretary of Health and Human Services.

As you know, in the new NIH reauthorization bill, there is an extensive program to try to deal with that basic issue. I don't know whether you've had a chance to study it in detail, but I would be interested in what response you might give.

Ms. SHALALA. Senator, one of the reasons that I am probably qualified for this job is because I have been at the other end of Government regulations, and I have had to deal with issues like scientific fraud on a campus, working back and forth with the appropriate Federal agencies. I did indeed have to handle a review process for an issue of scientific fraud under the old regulations. I think that we handled it very rigorously. In fact, the final panel that dealt with the issues was chaired by a Federal judge on senior status, with four distinguished scientists. We followed the guidelines as we understood them and submitted our final reports. The case now has been closed.

But what the lesson taught me is the importance of the new legislation that you all have put forth. The new legislation, which sets up an office, which gives universities a better chance and clearer guidelines about how to set up panels for review, is very important. And the new office under the assistant secretary of health will have my full support—more than that, it will have my energy.

I can think of nothing that could bring down this important enterprise more than our inability to maintain the integrity of science, from my point of view, the integrity of the research universities in this country. And anyone who thinks that this new Secretary will do anything else but hold people to the highest standards, but simultaneously guarantee ethical behavior on the part of the universities themselves and a fair process for the individuals who are being charged, doesn't know me in particular. So you have my assurance that not only will I support the new office—not only do I think it is a much better organization, and it will have clearer regulations, but I have been through it myself, and it has my full support.

The CHAIRMAN. That is a very impressive response.

Senator Kassebaum.

Senator KASSEBAUM. Thank you, Mr. Chairman.

I want to follow on with this for a moment, so perhaps we can lay it to rest—although I think the whole issue of scientific integrity is one that is very important to us. Let me just give a review of the situation. You have outlined it but the news media charged that you and other top officials at the University of Wisconsin had acted improperly in ordering changes in the report of the preliminary scientific panel that looked into this case.

I think that certainly, from the material that we went through last night, the university appears to have followed NIH regulations. In my conversations with you, you indicated that there had been little guidance given, and you clearly believe that greater guidance is needed as far as setting up a panel of inquiry and determining

what charges should be formally investigated. Perhaps that's the key word.

The first panel apparently exceeded its instructions and actually found that misconduct had occurred. Would you agree with that part of it?

Ms. SHALALA. Yes. What we asked them to do was to identify whether there were areas for further investigation.

Senator KASSEBAUM. That's right. The university then said the report should be brought back into line with its instructions, which was done.

The formal investigation that took place found no misconduct.

The National Institutes of Health Office of Scientific Integrity, which is now going to be moved directly into HHS, then requested original evidence in the case—lab notebooks. You, Dr. Shalala, as chancellor, objected to providing these notebooks unless a university official could be present at all times with the documents.

This produced a deadlock with NIH, which refused this condition. The case was never resolved definitively but was closed last month.

I wonder if you could explain what your thinking was in refusing to turn over the notebooks to NIH without someone present.

Ms. SHALALA. Senator, I think the record will show we agreed to turn over the notebooks; we simply wanted to send an escort with them.

Senator KASSEBAUM. That's what I said—without someone being present.

Ms. SHALALA. They were obviously valuable documents, and since they didn't want copies of them and refused to look at copies of them, we wanted to send someone with them as opposed to just putting them in the mail and sending them down. So there was never any attempt on our part not to make the documents available. But we felt very strongly that if they were going to be original documents, we would simply send someone along.

Senator KASSEBAUM. Well, let me say that if I were in your shoes, I would have taken that same position. I can understand that, but I think it is important to have that explained and on the record.

I did find of interest a letter that you wrote to the NIH in August 1991, commenting on proposed regulations for policies and procedures dealing with investigations of scientific fraud. You have addressed some of these issues to the chairman. In particular, you raised three points; and, in some ways, you have reiterated those. Let me say this isn't just the University of Wisconsin; it can apply to the University of Kansas. I think it is today an issue that really affects many of our major universities. One of your strong recommendations was that primary responsibility for investigating charges of scientific misconduct should be with the university or the research institution involved. The second was that the NIH Office of OSI should not have broad discretion in its review of these investigations. Do you feel that that will still be true now that the office is under HHS rather than NIH?

Ms. SHALALA. Oh, I think that they will have very rigorous review powers.

Senator KASSEBAUM. So they should not have broad discretion.

Ms. SHALALA. That's right.

Senator KASSEBAUM. Your third concern was that there be an impartial decisionmaker, which you clearly felt NIH was not at the time.

I understand and share your concerns about protecting due process rights, but another concern is that scientific research today really is big business. The University of Wisconsin had, it was presumed, about $40 million at stake in this particular situation. These cases, I think, also frequently involve star faculty, which was so with the outstanding scientists at the University of Wisconsin.

My point really is that these cases can involve both the financial health and the academic reputation of a university; and, under these circumstances, can a university be a fair and impartial judge?

In a way, I think you are recommending setting up a mechanism where the university itself, with much at stake, is going to be the judge and juror. Does that trouble you as we look into this?

Ms. SHALALA. No, it doesn't, Senator, and let me explain, because I believe that what the university has at stake is not $40 million. I believe that what universities in this country have at stake is their own integrity and reputation, and the reputation of something even more basic to those of us who have spent our careers trying to create new knowledge, and that is the reputation of science. So it is something so fundamental that is far more important than the amount of money involved, or star scientists, or any individual's life from our point of view.

All we are saying is at the first level of review, we have to self-police, we have to self-regulate. We have to make sure that our people know that we have the highest standards. And science itself has to have high standards.

Senator KASSEBAUM. I don't think anyone could disagree with that. I just think there are a lot of temptations out there today. Whether we can in some way, through legislative initiatives or oversight, assist this process is a matter about which I will look forward to working with you. I think oversight in this particular area is an important responsibility of this committee, Mr. Chairman, and one that I think we ought to give some thought to in the future.

Ms. SHALALA. Senator, I agree with that, and I think that after this office has been set up, it is important that we all come down and talk about how it is working. This is a partnership between the Government, the Congress, and the departments that are involved, which are more than HHS, and the universities and the researchers. And everybody is going to have to take their responsibility, or we are going to lose the faith of the public in science——

Senator KASSEBAUM. That's right.

Ms. SHALALA. —and the faith of our constituencies in universities. And I want you to know that I absolutely understand that and am committed to it.

Senator KASSEBAUM. Thank you.

To go to Head Start for just a moment, I share your enthusiasm for Head Start. I have visited many Head Start centers in Kansas, and I am pleased that we have increased funding significantly over the last several years for the Head Start program. I would like to ask you, when we talk about full funding, exactly what that means,

because it will require for one thing an additional increase of over $2 billion every year until 1995, which would mean a total of $6.1 billion. We can argue that this is an important program, and we should fund it, but I wonder first if you would define the parameters of full funding. Does this mean, as you spoke to, full-day—and I myself think that is important—and full-year for Head Start programs? And at what age of eligibility?—Do we go down to 3 year-olds—all 4 year-olds now are supposed to be included, of course, as well as 5 year-olds.

Senator DODD. Who are not in school.

Senator KASSEBAUM. Right—who are not in school.

Ms. SHALALA. We are talking about 3 and 4 year-olds, full-day, full-year. And clearly we are going to have to do some phase-in on this. I am going to be aggressive within the administration, obviously, to do as much as I can for the kids. Certainly, we've got to get started with the summer right away so that we cover the summers initially. How long it is going to take us to do it—I hope it is a relatively short period of time, but this has to be a program for working parents. If we are going to move into a different kind of a welfare program in the future, if we are going to strengthen families, Head Start has to work for working families.

Senator KASSEBAUM. Well, I certainly agree with that. In the early days, as you know, when Head Start was first started, it also really made a big point of trying to involve a parent. I wish we would go back to encouraging that involvement. I worry because I think that also we are going to have—and this is a large infusion of money and expansion—to encourage that the facilities be really good facilities, to find those facilities, to find the teachers to work with the program. All of this is going to be an expansion which I think can be beneficial, and it is going to take, as you say, some real planning and some real dedication.

Something else that I think is very important—and my time is about to run out—isn't just Head Start; it is also tracking those Head Start children for the first several years of their schooling. I think we have found that to leave children after going through a Head Start program, and not continuing on at least, I would say, through first or second grade is to leave them vulnerable and perhaps lose some of what they gain through the Head Start program.

Ms. SHALALA. Senator, you are absolutely right on the transition from Head Start into regular school. Wee have had some programs and have had some success in those programs, and they are really quite exciting.

Senator KASSEBAUM. Yes, but it has been limited. I think, again, we've got to match our resources and concentrate where we can on making them work well.

Thank you very much.

The CHAIRMAN. Thank you. Just parenthetically, of the 150 top universities in the world, we have 125 of them in the United States. And I think that is because in the postwar period, we took education, we took research, we took support for education, and we combined them with the private sector. This has been a great, great success story, I think, in public policy and private cooperation. And I would hope that you would feel that the provisions that are included in the NIH reauthorization address these major ques-

tions. That was really what we were attempting to do, and they will take strong support and implementation. Many times, we pass things, and they are just not implemented, and the regulations are not right. Listening to you, I think you certainly recognize that.

As we understand, in the Head Start program, 39 percent of the teachers are parents. We have certainly been trying to upgrade the training programs, because I think we have all seen that involving parents in continuing education, and working with the children is enormously important.

Senator Pell.

Senator PELL. Thank you.

Dr. Shalala, you touched on the importance of preventive activities earlier. I wonder if you could itemize a little more the types of activities you visualize undertaking under your Secretary-ship?

Ms. SHALALA. I think strengthening family planning, prenatal care, immunization, teenage pregnancy efforts—we need to reduce the demand for abortions in this country, and to do that, we've got to really take on the issue of unwanted pregnancies and provide some leadership there, again, working with nonprofits, working with State and local governments, with families, with schools. And we have got to anticipate, as things like tuberculosis come in, early investments that prevent long-term care issues. The difference between catching tuberculosis early and later is enormous in terms of cost. But anything we can do to make sure that Americans start out healthy, anything we can do to get kids their shots, to worry about the health of their mothers, whether it is drug use or alcohol, which produce extraordinary problems with babies, whether it is the low birth weight problem, all of these issues, if we address them in a strategic way, I believe will have enormously beneficial effects in the long run for our country.

Senator PELL. And I think there is an international aspect of this, too. Under President Reagan, Senator Biden and I introduced a resolution which passed the Senate, I believe, calling for the immunization of children worldwide to be done under the leadership of the Soviet Union and us. That, while not immediately on the table today, is a subject that we may well hope to look at in a year or two. The then Soviets were quite responsive.

Prescription drug prices are a tremendous problem for many of my constituents, and I was curious as to whether you have any thoughts as to how we can bring them down—maybe by having a bigger generic pool. What would be your view?

Ms. SHALALA. Thank you, Senator. That's a very good question.

The President-elect has indicated as part of his discussion of national health reform that prescription drugs ought to be included as part of that package, and we obviously have to think that through, working with the drug companies. They have made some preliminary forays in terms of what they are willing to do to hold drug prices down, but they have been going up awfully fast in the past years. So while we don't have a proposal on the table, I think these conversations have to be continued.

Senator PELL. What would be your rule of thumb as to how much money should be spent on research? Should it be quadruple, quintuple, ten times?

Ms. SHALALA. I really don't have a rule of thumb. I tend to want to look at the analysis and then put the rule of thumb on it. So it hasn't been sorted out for me, but it certainly is one of the issues that we are going to look at as part of the national health care reform proposal, and we ought to be able to answer the questions when we come up.

Senator PELL. The thought occurs to me that it would be helpful just for the general public to have an idea of what seems proper, what seems fair, and what does not. As I said, we don't know whether it is five times or 50 times, and we ought to know.

I was very much in accord with the chairman's thought about the importance of long-term care, particularly long-term care at home, and I was curious if you have any more specifics in that regard?

Ms. SHALALA. No, I don't think so at this time, Senator, but I would be happy to come back and talk to the committee a little later on.

Senator PELL. And another concern of my constituents is the plight of widows, because with pensions being reasonably fixed and the cost of living going up, the most pathetic letters we get are very often from widows. And under our system, women usually marry men about 6 years older than they are, and they live 6 years longer, which means that most women have an average of about 10 years of widowhood. So I think we should focus on that more.

This wonderful pamphlet, committing to "Leave No Child Behind"—is that put out by your group?

Ms. SHALALA. Yes.

Senator PELL. Would you describe a little bit what caused you to do it? I think it is excellent.

Ms. SHALALA. That is the Children's Defense Fund pamphlet, and our theme is to make sure that this country leaves no child behind in the process of creating Government policy. And I think my response to Senator Kennedy that this agency more than any other agency has to understand the core of its mission and that is for children and families—we have wide responsibilities for those who are disabled and the elderly, of course—but if we leave any child behind, the long-term costs for this country are enormous. And we are in fact investing for our seniors by investing in children, to ensure that we will have the Social Security system alive and healthy, and that we aren't boxed in with a lack of resources for important programs for the disabled and for the elderly because of the high costs that we create by not investing early in children.

Senator PELL. And my final question is that as we all live longer and longer, and the retirement age stays at 65, we obviously see a real problem down the road for financing Social Security. What is your thought with regard to moving the retirement age up?

Ms. SHALALA. Yesterday, I noted that I didn't think the age 65 was set with any kind of rigor, and Senator Moynihan told me it was Bismarck's age, which reinforced my view that it wasn't set with any kind of rigor. [Laughter.]

I think that as people are living longer, those are the kinds of decisions that we ought to make, but we ought to make them in ways that don't hurt people. So it is a very good question. We should look at it thoughtfully. It obviously saves us money if we are willing to do that, but we've got to look at the patterns of peo-

ple's lives. And we certainly have very clear data on how long people are working and how the economy is absorbing them and what people's lifestyles are.

Senator PELL. Thank you very much.

The CHAIRMAN. Thank you, Senator Pell.

Senator Metzenbaum.

Senator METZENBAUM. Ms. Shalala, I want to pick up where Senator Pell left off on the matter of drug pricing, because drug pricing really isn't important until you have to go out and buy drugs, and then you see the incredible prices that they charge for little pills.

Drug price inflation in this country has been running at about an 11 percent rate, and drug company profit margins have been up about 15 percent, which is about three times the average of other industries. And drug companies actually spend more on advertising than they do on research in this country.

But Canada has solved the problem. In Canada, drug prices are increasing about 4 percent a year, and companies are increasing their spending on research. Canada does it by tying in the whole question of drug price increases to the company's right to hold onto its patent for life, and I think they have done it very well.

In the Senate last year when we were dealing with a national health care program, it is my recollection we did not include drug prices. It is my understanding that the President-elect has indicated he believes drug prices should be included. A fantastically strong lobby will be working against that.

Do you have any personal views as to whether or not we ought to include drug pricing in health care costs?

Ms. SHALALA. I have a personal view that we must review that issue as part of our reform efforts; that to have gone all the way through a reform effort without making it comprehensive and dealing with one of the important cost elements to real people would be unfortunate. So you can expect some answers from us as we come in and work with all of you in creating this proposal.

Senator METZENBAUM. In responding to Senator Kennedy, you spoke very affirmatively with respect to health care competition and managed competition, and there was one word that I did not hear mentioned that I think is an important one, and that is whether or not the consumers will be a party to the whole development of the program and whether or not they will have a say in the whole question of managed competition.

Ms. SHALALA I think that our view of managed competition is that what we are doing is empowering consumers to be able to choose; that the power is being put in the hands of consumers so that they can, through their representatives, be powerful bargaining agents to get alternative programs that they might choose among. So there is no question about that.

Second, if I understood your question, you may be asking me whether the input of consumers and their attitudes are going to be incorporated as part of this. I think that hearing the public's cry for help—not simply large businesses and institutions or small businesses, but individuals, a million a year who are uninsured, 23 million people who are uninsured who are working—that it is the cry of not only those whose health costs have gone up, but those who have lost their health insurance, those who can't get health in-

surance who get up every morning and go to work and trying to support their families; that that is what the President-elect and all of you have heard.

There still has to be an education process in terms of the public understand what kinds of economic alternatives are available to us, and I think that we have to be very sensitive to the politics of what the public is willing to buy.

Senator Kennedy said very eloquently that we have to be very honest with people about the kind of shared pain, if that's what we end up with, if we want access as well as cost containment.

I think the public is ready for it, and we have a very sophisticated Senate and Congress. I described them yesterday as "health-literate." All of you have spent a lot of time working through these issues. This is a very unusual period in which those that govern really know a lot about the subject and which the timing may just perfect for moving ahead on a proposal. It has been building up for a period of time.

Senator METZENBAUM. The thrust of my question had to do with whether the consumers would be able to control the bargaining process and be a party.

Ms. SHALALA. Yes, yes.

Senator METZENBAUM. As we get further into our debate on health care reform, it is pretty obvious at the moment that the health care industry is going to intensify its lobbying efforts to win special exemptions from the antitrust laws. Hospitals have already begun to argue that the normal rules of competition should not apply to them because they inhibit cost-effective mergers and joint ventures. The doctors have begun to press for an antitrust exemption for group negotiations with third-party payors.

Frankly, I am inherently skeptical of extending special antitrust protections to any industry, including the health care industry, and I have found that those that do have antitrust exemptions, such as insurance and shipping, have abused it to charge consumers higher prices.

Do you believe the health care industry needs a special antitrust exemption, or do you have any thoughts on the subject, or is it something you haven't thought about at all?

Ms. SHALALA. I haven't actually thought it through at all, Senator, and I will reserve my comments until I have an opportunity to come up and perhaps explore it a little further with you and hear about the issue at some later time.

Senator METZENBAUM. One of the areas that we did nothing about for many years, and then at the instance of some of us in Congress, we got into it, was pediatric AIDS research. One woman became a dynamo and created the stimulus to bring that about with us here in Congress, and that was Elizabeth Glaser of California, who addressed it very eloquently at the Democratic Convention.

The problems of pediatric AIDS are quite different than the problem of AIDS generally with respect to people, and in the total Bush administration term, there was only $60 million spend on pediatric AIDS research. Have you given any thought at all to whether we ought to intensify our efforts to get at this problem? There are more and more children who have AIDS now, who are born with

AIDS, boarder babies and so on, and I think there is really a sense of emergency that we do more in this area. Have you thought about that at all?

Ms. SHALALA. Yes, Senator. As you know, the President intends to appoint an AIDS czar, but more importantly, in HHS we need a strategy, not only for our research but for the treatment and other kinds of activities in relationship to AIDS.

You have pointed to a soft spot, and that is that we have paid very little attention to AIDS and children. We have paid almost no attention to AIDS and women. So both groups have been left out which are important. And the importance of the kinds of teams that we are going to put together is not that we are just going to look at AIDS—we obviously are going to do that—but as we look at families and children, research on AIDS in children as well as in their mothers is going to be terribly important as part of those overall strategies.

Senator METZENBAUM. As you probably know, inadequate social services, drug and alcohol abuse, and deteriorating economic conditions have contributed to the placement of almost 500,000 children in foster care. Children of color represent almost 40 percent of the children in foster homes. The average length of time for adoption of eligible children is over 2 years. There is evidence that many children remain in group and foster homes for 2 years or longer because of policies and the efforts of some in the social work field to work against transracial adoption.

I believe same-race placement for adoptive children and families is in the best interest of the child. However, if same-race families are not available to adopt eligible children, transracial adoption in my opinion should be pursued as a viable and preferred alternative to keeping those children in foster homes.

I plan to introduce a bill that would make it clear that transracial adoption may be appropriate where same-race placement is not available. Would you be supportive of that kind of legislation?

Ms. SHALALA. Senator, I don't know. As I indicated to you the other day, I am happy to come up and talk to you and look at it and talk to my colleagues about it. But fundamentally, what we are all after is to give children wonderful, supportive families, so I am certainly happy to come up and talk to you and your staff and to have my own group review the concept.

Senator METZENBAUM. I made some effort to reach Marian Wright Edelman on this subject, and she just was not available this week.

Recent reports by the General Accounting Office have found that Medicare contractors failed to collect—well, I won't even finish the question because I have a note here that says, "Your time has expired."

The CHAIRMAN. Go ahead and finish, Senator.

Senator METZENBAUM. Thank you, Mr. Chairman.

Recent reports by the General Accounting Office have found that Medicare contractors failed to collect $2 billion in overpayments to hospitals, and then Medicare picked up the tab for another $2 billion which should have been paid by private insurance companies.

I think it is imperative that at an early point, HHS' efforts to recoup erroneous Medicare payments made to hospitals and insurance companies become a reality. Do you see this as a matter to which you can give early attention?

Ms. SHALALA. Yes.

Senator METZENBAUM. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Dodd.

Senator DODD. Thank you very much, Mr. Chairman, and Dr. Shalala, let me apologize for not being here at the time of your opening remarks. I would ask, Mr. Chairman, that an opening statement by included in the record.

The CHAIRMAN. They will be included in their entirety as if ready.

[The prepared statement of Senator Dodd follows:]

PREPARED STATEMENT OF SENATOR DODD

Thank you Mr. Chairman. Dr. Shalala, I want to welcome you today and tell you how pleased I am that President-elect Clinton has chosen such a dynamic leader to take the helm of Health and Human Services, which controls the largest budget in the Federal Government. You have an outstanding record as a manager of complex institutions and considerable experience handling large budgets, including that of the Nation's fourth largest university. I am confident you will bring formidable skills to the job of directing the organization that accounts for a full 40 percent of Federal spending.

I am also personally quite pleased that you share my own commitment and concern for the plight of our Nation's children. As chairman of the Subcommittee on Children, Family, Drugs and Alcoholism, I would like today to emphasize the need to bring all our resources to bear on the issues confronting children and families. I fully support the new administration's ideal of investing upfront in individuals and families, in order to ensure a productive work force for the future and to reduce long-term dependency on public assistance programs.

I know I don't have to remind you, Dr. Shalala, that the poverty rate for children is higher than for any other age group—with one out of every five children living below the poverty level. For children in female-headed households, the rate is staggering—more than one-half of these children live in poverty. In the past 20 years, we have seen the numbers of children in poverty increase by nearly 100 percent.

To help single-parent families improve their circumstances, we must strengthen our resolve to see that noncustodial parents comply with child-support obligations, and I hope that you will help lead these efforts. I will continue to press for legislation to provide a minimum level of support for children, to seek creative ways to improve enforcement, to encourage custodial parents to seek child support orders from the courts, and to provide job training so that parents can increase their wages to a level where they can afford to support their children.

Poverty brings with it all manner of related problems for children and families. Lack of prenatal care, premature and low-birth weight infants, and limited availability of pediatric care and immunizations are just a few of the health-related issues we must address. Immunization programs are especially critical at this time in history. Barely more than half of all U.S. children are fully immunized today, and we are seeing some diseases returning that had been virtually eradicated in the past.

The health and welfare problems of U.S. families translate into a full 35 percent of kindergarteners entering school in 1991 unprepared to learn. The Head Start program has shown phenomenal success in improving poor children's chances of success. Yet 65 percent of the children eligible for Head Start are not being served. We need to expand and enrich the Head Start effort, and *at a minimum* provide full funding to enable Head Start to reach all eligible children.

Working parents also are struggling to make ends meet, and they often lack access to adequate, affordable child care. In 1990, the committee led the effort to enact a landmark child care law that created a new direct service grant program and a substantial expansion in Federal tax credits available to working families with children. I look forward to working with you in continuing to implement a strong and coordinated administrative structure for this and other child care programs, and to correct deficiencies in the Bush administration's initial regulations. Our best estimates indicate that more than 2 million school-age children are without adult supervision at some time during the day, and so we must continue to support efforts to provide child care assistance for families, something I trust you will also see as essential for family preservation. Government cannot substitute for the family, but we can give families the tools they need to remain strong and to nurture their children.

In conclusion, let me again welcome you to our committee. I look forward to working closely with you as you apply your creative leadership skills to the arduous tasks we must tackle if we are to make this country work again

Ms. SHALALA. You only missed the nice comments about returned Peace Corps volunteers, Senator.

Senator DODD. I heard that, and I was just about to make the same. We can now reveal that this has been a great conspiracy over the last 30 years to place ex-Peace Corps volunteers in key positions in Government.

I am so excited about your nomination. We are truly fortunate, in my view, to have you in this country. President-elect Clinton has made a great choice, and your willingness to accept it is something that is going to, I think, benefit everyone.

You will be responsible for 40 percent of the Federal budget. There is no other budget remotely close to it, and it obviously has some staggering problems associated with it.

I am genuinely excited about the emphasis on children. I think it is revealing this morning that without any coordination among ourselves, every single one of us on the committee up to this point who has raised any questions has focused a good part of those questions on children. Because of Senator Kennedy, through his

chairmanship of this committee, and with the support of people like Senator Kassebaum, Senator Coats, and virtually every member of this committee, we have been able to achieve some successes over the past few years in areas like child care and improved programs for children with special needs and the like—but quite candidly, it has been a fight. We spent 5 years trying to get a national child care policy established in this country, and in other areas, we are still fighting on some of those questions.

The fact that today we are the only industrialized Nation in the unique position where the poorest sector of our population is children is staggering; where poverty rates for children have increased 100 percent in the last 20 years, to the point that one out of every five children in this country is growing up in poverty; where that child being raised by a female single head of household is every other child. So the demographics and statistics speak for themselves. And the fact that you, by background, experience, commitment and interest, are deeply concerned about this question is something that I welcome tremendously. And as the chairperson of the Subcommittee on Children and Families, where almost every member of this committee is a member of the subcommittee—quite candidly, because of the interest of the members—it is something we welcome.

I'm going to begin with a broader question and ask you to just comment on it generally. One of my concerns over the years has been that as we deal with various programs here, whether it is a WIC program, a Head Start program, a Chapter 1 program, whatever you will, there is a tendency on the part of people to compartmentalize these issues. And members will say to you, listen, I have been helpful on WIC, and I will be helpful on this program, but I can't be helpful on all of them, failing to understand and realize that that same child who is a WIC child is a Head Start child, is a Chapter 1 child, and you can go down the list. So to say I'm going to help you on three of the five programs but not on the other two is to fail to understand that that same child and that same family are trying to deal with a wide variety of potential services, not utilizing all of them.

What I'd like to ask you to address, if I might—and understandably, in general terms, because you haven't taken over the job yet—is what efforts can be made to try to help coordinate these kinds of services. What can be done within the Department itself to help to coordinate this aspect, so that we aren't necessarily dealing with problems department by department, but are creating the seamless garment that I have often talked about in services that these children and these families desperately need—where the absence of two out of the five services means that the family may have a net loss as a result.

I wonder if you might just generally comment on that particular point?

Ms. SHALALA. Senator, it is hard to do because programs are passed by particular committees, and because we have bureaus in the Department in which people think about just what they are doing. You almost have to change the culture of the institution, and that is that people have to think about how these programs fitting

together impact on children and families' lives, or on the life of an elderly individual.

It is a very different way of thinking as opposed to simply thinking about whether this program works or not. People have to think of themselves as part of a team and part of an integrated effort to improve a total human being's life as opposed to just whether their program works at this point in time. It is tremendously complicated.

The second Secretary that I worked for at HUD, Moon Landru, who had been a mayor, asked very different questions than Pat Harris did. Pat Harris was very much a Washington lawyer and saw the power of the Federal Government in civil rights, and that was her tradition, and she made enormous contributions. But Moon had been at the other end, where the program delivery was, and every time we did a program at HUD, he would ask, is this what the Federal Government ought to be doing, and how does this affect the guy at the other end. He made us think about implementation.

My favorite story about him was when he got all the policy analysts in the room and said we bring these brilliant policy analysts and brilliant congressional staff people to Washington, and they come up with these programs, and then the average Joe has to administer them down there or fill out the forms that they've come up with. And I asked, does that mean that we should have people less brilliant, and he said no, but you've got to think about the other end and how the programs are going to impact and how they fit together.

So all I can say to you is that it's a very different way of thinking. And when I talk about energizing the bureaucracy, getting more customer-oriented, getting feedback on the regulations, it is not just sending the regulations out and expecting responses from interest groups that are organized and professional about making comments, but really thinking about what the impact is going to be on individual people's lives.

Senator DODD. Well, I couldn't agree more with you, and maybe I should have included that as part of the observation. We know how busy our lives can be as people who have jobs and have transportation and don't worry about some of the basics of just trying to get around—you know this as well as anyone in the country. For a person who is unemployed and living on some form of assistance, trying to provide for his or her family, sometimes just trying to get around and get the necessary resources you have got to have, can be a herculean task. And in a sense what I see at this end is reflected in what happens at the other end, so that in many cases people just give up trying to of get those services and trying to coordinate those services in a way that makes them accessible.

Too often, I think there has been an attitude where we almost make it so difficult for people who would legitimately qualify for those services to get them so that we can keep the costs down, thus in a sense perpetuating a system at the other end.

So I like the Moon Landru kind of question—how does it affect people at the other end? I think that is a reflection of what happens at this end, because frankly, if it is all divided up here, and people are competing with each other, somehow that division comes

out at the end of the day being a mirror image of a disjointed effort. That's what I'm getting at.

Ms. SHALALA. I agree, and as you know, the President-elect and I are disciplines of total quality management, which is empowering the people who work and making sure you have a feedback mechanism and making sure that everybody is clear about their mission—but more than anything else, the strategy and the culture is continuous improvement, that you never give up, that you don't assume once you get the regulations in place that you've done it, that you keep making it better and better and getting feedback and changing the culture of the place.

Can you do it in large public agencies? I have done some of it, but I sure would like to try it, because what we have now, no one is happy with.

Senator DODD. I appreciate that, and obviously it's a subject for a longer discussion. But it just seems to me that that is the broader issue, and as we try and deal with all of these various issues that people are going to be looking to us to at least make some progress on, that becomes and important administrative question.

Let me jump if I can to a couple of specific issues. One, in the child support area—you and I have talked about this, and there is a lot of interest in this subject matter. Last year, Congressman Downey and Congressman Hyde in the House introduced some rather comprehensive legislation. Senator Mitchell asked me to chair a task force over here to try to pull together members of the Finance Committee, Labor Committee and Judiciary Committee to see if we couldn't come up with a comprehensive bill on child support. There have been numerous staff meetings on that. Obviously, it is a staggering problem.

In my State alone, the small State of Connecticut, there is $400 million in arrearages in terms of child support collection. In only one out of every five cases today are we collecting out of the 12 million cases the States have on their books. And one of the major problem areas is interstate enforcement, where it is obviously more difficult because of differing jurisdictions. And there is a debate, obviously, as to whether you federalize the system, do you federalize part of it, do you federalize none of it in terms of the enforcement side of it.

And I wonder if you might just generally—and again, I am not asking you to pick and choose at this particular point—but give us some ideas if you could, because I know the President-elect cares about this very, very deeply. And obviously, as one quick way of taking a lot of people out of the ranks of poverty without spending one, single penny in Federal dollars, or raising anybody's taxes, if we would just collect outstanding child support payments, we could remove a substantial number of people from those ranks.

I think this is an area where we could build some real consensus on this, politically, and it should not generate the kind of philosophical debates when you see a Henry Hyde and a Tom Downey coming together; I have talked with Senator Hatch here and others who are strongly interested in seeing us put together a piece of legislation.

Ms. SHALALA. I agree. I have thought some about it. Obviously, lack of child support is an economic disaster for families in this

country. The Interstate Commission had some interesting ideas, and that may well be one way to start, and that is that as opposed to federalizing everything, there are some things where it would make sense. A national databank for support orders, automatic wage withholding, early identification of paternity, reports to credit agencies—there are some things that we could do with, of course, your leadership that would get us going and strengthen what we already have in place. And I think we ought to get some things started, and I absolutely agree with you; there is bipartisan support, and it is the kind of thing we have to do while we are trying to make some other kinds of investments. So we ought to put some energy into it, and we hope to identify a very good person for that office.

Senator DODD. I am very pleased to hear that, and again, virtually every member of this committee is interested in this subject matter as well, so you will find a lot of support up here as we try to do something on this issue.

Thank you very, very much.

Ms. SHALALA. You're welcome.

The CHAIRMAN. Senator Simon.

Senator SIMON. Thank you, Mr. Chairman.

Again, Ms. Shalala, we welcome you here. You mentioned working with other people. You are going to have to fight within the administration, and I have the sense that you are a fighter, and you will do well.

Health research has been mentioned several times. I will never forget listening to our colleague, Senator Harkin, make a speech on the floor of the Senate last year in which he said that in the last 7 years we have spent as much on military research in this country as we have spent on health research since the beginning of the century. That's an astounding set of statistics, and clearly we have the opportunity to turn that around. And I hope you will be a fighter for turning that around.

In the area of health care, I like the phrase, "managed competition." I am a little uneasy with it, I have to confess, and I think you are going to have to really pay attention to cost control in this area—and this is not a question but simply a point that I think has to be made.

Second, I would like to underscore what Senator Kennedy and Senator Pell have said. It becomes very easy, as you put a health care package together, to forget long-term care. Eight years from now, we are going to have a million more people in nursing homes than we do right now, and 30 percent of the people who go to nursing homes wouldn't need to go to nursing homes if we had a better at-home program.

I have introduced a long-term care bill, and I'm not saying this is the answer, but there are cost factors here. My program includes a half-percent increase in Social Security.

What I would ask of you is that in the very near future, you designate someone on your staff to look at the long-term issue. And I would like to meet with that person you designate.

Ms. SHALALA. Senator, I'd be happy to do that.

Senator SIMON. Great.

Then, a question. I hope the managed care thing works very, very well, but we cannot be certain. What would be your reaction to having as part of the health care package that we say to five States: You can experiment with a single-payor system, and we will provide you "x" number of dollars per citizen as you experiment with the single-payor system.

Ms. SHALALA. Well, it's a very interesting idea, Senator. I think that I shouldn't probably comment publicly on the idea of having a national program and simultaneously excluding five States in terms of experimentation.

The CHAIRMAN. Would the Senator yield so I could make just a very brief comment?

Senator SIMON. Yes.

The CHAIRMAN. A number of the measures that have been introduced, including the ones that I have introduced, provide that option for the States if they want to develop it. It isn't even limited to five States. We are still working out the details, but it is not necessarily inconsistent with other proposals.

Ms. SHALALA. What we could do is look at it as an option as part of the overall proposal. What I will do is take that idea back and make sure that we review it as one of the options.

Thank you, Senator.

Senator SIMON. If you could do that, I would appreciate it. I think it is something that is well worth doing.

The second general area—you stress investing early. And Senator Dodd and my colleagues have talked about children and what is happening. During the campaign, the Clinton people had me speaking in the big electoral States—like South Dakota and Montana and some of the others—[Laughter.]

Senator SIMON. I did get to Wisconsin as well, I have to add. When I was in South Dakota, something struck me. I learned that in South Dakota, they have a State university system with nine campuses. Two of the nine campuses have been converted into prisons. It is almost an allegory for what is happening in our country. We have more people in prisons than any other country in the world in absolute numbers. We have a higher percentage in prisons. South Africa is a distant second. We aren't going to turn that around tomorrow. But I think we have to review our policies in terms of whether we are investing in our people as we ought to be investing, and that includes immunization as well as a lot of other things—but it also has to include welfare reform.

I have introduced legislation that calls for a jobs program as an alternative, and Senator Wofford and Senator Boren and I have taken my bill and narrowed it more into a demonstration program. Basically, what we have said is let's guarantee a job opportunity to people who have been out of work for 5 weeks, pay them the minimum wage for 4 days a week, as the old WPA did—and this is really kind of a modified WPA for this era. The minimum wage 4 days a week is not much—$535 a month. But the average family on welfare in Illinois—and Illinois pays much better than a great many States—gets $367 a month. Five hundred thirty-five dollars a month isn't going to lift you out of poverty, but it is sure a big lift from $367. And the last figures that I saw, the average family on welfare in Alabama gets $118 a month. And then we can screen

people as they come in, and if they can't read and write, get them into a program. If they have no marketable skill, get them into something.

I would be interested, and I don't expect any commitment, but I would be interested in just your kind of instinctive reaction to a demonstration program—very limited because of finances—but a demonstration program that we might try in limited geographical areas where we could see what happens, in maybe a few rural counties, a very limited urban area, a couple of Indian reservations—something along the line that Senator Wofford, Senator Boren and I have introduced.

Ms. SHALALA. Senator, it is hard for an academic ever to turn down demonstration programs or research projects. Let me put this in context. We will be looking at welfare reform. But if I can communicate a theme which we are going to follow, whether it is in health care reform, where we would like to shift to prevention and primary care, whether it is in focusing on children and families, in which we want to do the front end with immunization and Head Start, or in welfare reform itself, where we want to make strong, up-front, hopefully short-term—and the President has talked about 2 years—investments in education, in training, and in jobs, so that people get off welfare.

Our whole philosophy is going to be let's find the strategic places early on to intervene so that we help people get started, or intervene early enough so that they can get going. In that way, we believe we will save a future for the other investments we must make for our elderly and for the disabled, so that there are resources available.

So within the context of that, since I don't know quite where we are going to go with welfare reform—I have the outlines, as outlined during the campaign—we are going to start at the beginning of the administration putting together a team to look at welfare reform. I think what we'd like to do is have those people come up and talk to you and see how all of this fits together.

Senator SIMON. If you could, that would be ideal. If you could make a note, or one of your staff people could make a note, that Senator Wofford and Senator Boren and I would like to meet with your task force on welfare reform, we could like to do that.

Ms. SHALALA. Good.

Senator SIMON. I thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Mikulski.

Senator MIKULSKI. Thank you, Mr. Chairman.

Dr. Shalala, many of the questions I would have asked have been raised by my colleagues. I have two broad ones—one, related to the language that we are using. We keep saying the words, "health care reform." I would like your thoughts on not a plan, but on what that means. And let me tell you my reason for the need for clarification as well as I think maybe a clarification in the new administration.

Are we talking about health insurance reform, or are we talking about health care reform? I think that health insurance reform is a very specific approach to reform our reimbursement systems, but

it does not necessarily address what the American people buy when they talk about buying health care, whether it be in the medical model in terms of individual practice or acute care or even primary care, or in the public health model—for example, expanding immunization or the prevention of older citizens going into nursing homes.

Could you tell us what is meant by "health care reform," or are we talking specifically about health insurance reform, which in no way diminishes it? But I think we ought to get clear that reforming the reimbursement system reforms only one component around the health care crisis facing the American people.

Ms. SHALALA. Senator, I think you are right on target. We are not simply talking about changing the financial mechanisms to try to keep costs down, because we have been doing that for a very long period of time, and we found that we squeeze down the public part, and the costs get passed on to the private part. And we have tried almost every mechanism that anyone has thought about to try to contain costs.

I believe that the President-elect now believes that we need a more systemic reform, and that it is not just cost. It is quality and access. And it is a commitment to primary care, to preventive services. It is a commitment that will have a very different set of incentives for the health care system in this country, and those incentives will be focused on the front end, on prevention and on strong primary care. And this is not to disparage in any way the modern technology that has been introduced, but I think that as we begin to get a feel for why these costs are going up and what the kind of underlying incentives are and how they encourage the health professions to do certain kinds of things when people get into hospitals, we understand that we have to do something more fundamental and that, while I have been asked often about cost fitting together with access, I believe that we also want quality fitting together with access and with cost, and that that will make a real difference in terms of the nature of the health system in this country.

Senator MIKULSKI. Well, I think the national goal of providing access to medical treatment through a reimbursement system is indeed a noble national goal which I look forward to cooperating on advancing. However, going to the prevention model, access to medical treatment is not necessarily prevention. It might be early detection and so on. So those aspects like immunization, and issues I'm going to raise in a minute or two about the aging population, are really public health models which have large and broad systemic applications.

Am I correct in hearing you say that it is the administration's framework or navigational chart to also address public health measures which really have had the largest impact on our society in terms of improving life, minimizing cost and the need to have medical treatment.

For example, airbags and seatbelts. If the shock trauma docs of Maryland were here, they would tell you that mandatory seatbelts, head helmets for motorcycle riders, and airbags have done more to lower the trauma costs at our excellent trauma centers than more pills and high-tech technology.

Ms. SHALALA. Senator, I agree. We need the public health framework simultaneously if all of this is going to work. Whether it is smoking, substance abuse, teenage pregnancy, or a lack of access to immunization, we believe that these things are as important and will have an important impact on long-term costs and that it would be a mistake just to monkey around with the mechanics of the financing scheme without thinking through what our strategy is.

Senator MIKULSKI. I look forward to working with you on that, and that takes me to my new prerogative as the chair of the Subcommittee on Aging. My colleagues have spoken eloquently about the needs of children, and you and I have done that. We know that the needs of children have been neglected, and I think none of us on this committee want to be engaged in intergenerational sharp elbows about the search for funding, as Senator Dodd articulated.

However, in our conversation today, other than talking also about long-term care and nursing home insurance, we haven't talked a lot about the aging population. By the year 2010, 25 percent of all Americans will be over the age of 65, including all on this committee—some, stretching the envelope even beyond. Going to the concept of prevention, what thoughts have been given about preparing America for an aging society, because part of prevention includes an attitude that we have to get ready for what faces us. And, Dr. Shalala, I truly believe that demography is destiny.

Ms. SHALALA. Senator, I share those views and the fear that we haven't thought through the future, that is, thought through the implications of a changing population in this country.

I also share your view that it is very important that we not see our children and families strategy as in any way taking away from a firm commitment this country has had to our elderly population and our need to fill in those programs, including long-term care, that are critical for their health and happiness in the years ahead.

I have spent some time in my career, particularly at HUD, working with programs for the elderly, particularly programs that allow people to maintain their own homes and integrating HHS services with HUD services, for example. We need a longer-term strategy. There is a proposal for a White House conference on aging which has not been funded. We need to make sure that we attract to the Office of Aging a person of stature who can articulate the issues and who won't be left out, who will have the kind of stature and strength in the Department to be able to be part of all of the major discussions that take place in the Department. There are a number of things that we can do.

Have we laid out a strategy? The answer is not. There are lots of things written, though, lots of proposals, and we need to work closely with you and with the other members of the Senate and this particular committee.

Senator MIKULSKI. Well, I think you have the commitment of this committee to deal with the intergenerational framework.

I know my time has expired, but let me say that in my meeting now with the Leadership Council on Aging, they have proposed that they organize a task force to establish a framework for a White House conference that goes beyond the traditional thinking of the White House conference on aging, and that it be a conference that focuses on the needs of aging children and families, and that

we really think about it through a series of creative mechanisms that would be intergenerational.

I will be bringing to you their recommendations, and I think it is time to be bold and to think anew and to realize that the greatest intergenerational workshop in America is the American family, and that's what we want to strengthen.

Thank you very much.

Ms. SHALALA. Thank you very much, Senator.

The CHAIRMAN. Thank you very much.

As you know, Dr. Shalala, Senator Mikulski was the author of the Spousal Protection Act, which has been one of the important protections for survivors in terms of the preservation of their homes and a decent income. All of us know the seriousness with which she takes this issue, as well as every other.

Senator Wofford.

Senator WOFFORD. Thank you, Mr. Chairman.

As Senator Mikulski noted, some of us are already at that point of age; we are there. I am also there with her on the points she has just made and the points my colleagues have made, and I am very pleased with your good responses and your good approaches, it seems to me, to the questions put to you. I look forward especially to hearing your thoughts when you are ready to come back and talk about long-term care, which is going to be a key part of the health care reform debate.

On the cost control question, I very much agree with what you said and what our President-elect has said, that the obvious way to pay for the expansion of access is going to come from the immediate savings that we must attain in the next few years.

If we bring the costs of health care down toward the goal of not increasing more than the cost of living, or the inflation factors and demographic factors, if we really bring it down that way, it will have an enormous, crucial, long-term effect on dealing with our deficit. That's what the President-elect banged his fist about in Little Rock at the end of the conference there. But I hope you will hold firm, and help him to hold firm under the pressures to deal with the immediate problem of the deficit, to keep that linkage between savings and investment in the expansion of health care.

A major need for millions of Americans with disabilities is personal assistance services. The chairman held an important hearing on this issue in July 1991, during which the witnesses presented powerful testimony pointing out the need to have such services in order to fully realize the promise of the Americans With Disabilities Act. Do you think that coverage for these services should be part of health care reform and long-term care? And related to that and to your experience in the Peace Corps is another idea that has been presented, that such personal assistance service for people with disabilities should be one of the options for service under the new national service system the President-elect hopes to develop.

Do you have any thoughts about that?

Ms. SHALALA. The latter is very interesting idea. When I talked to President-elect Clinton because of my own interest in what HHS does, I made it clear that we were very anxious to be active in the development of the National Service Corps, because obviously, within the social and health service agencies, there are wonderful

opportunities for young people who go into the National Service Corps, and this is the kind of suggestion that I think ought to be reviewed.

I am familiar, actually, because of my own family, with home services and the need for home services when people are disabled, even for periods of time. And again, if we can produce a flexible system in this country without over-regulating it or making it too complex or not being able to communicate to people so they can have access to it, I think that that is what we ought to do; and to the extent that we can support people in their homes, in their families, and they are able to perform and live happy lives. So that again, I think the theme that will run through what we do is that we'll ask the question, is this supportive of the family, and does this help someone have the kind of support system they need when they are sick or disabled or whatever the individual's condition is.

Senator WOFFORD. The aging of the population and the success of American medicine in keeping people of all ages alive longer, it seems to me calls for new thinking on how to support family and friends with home-based care. And clearly, housing is a critical aspect of such support. As you know, Health and Human Services has led the way in supporting institutional care, yet provides very limited assistance to the chronically impaired not needing medically-oriented institutional care.

On the other hand, Housing and Urban Development, as you know from your years there, focuses essentially on basic shelter, and as a result, the middle ground of the need for long-term care housing support in the continuum remains largely unfilled or untouched. From your experience with Housing and Urban Development, do you see the possibility of building links between those two departments and other agencies and programs to combine and meet the need for housing and home and community-based care?

Ms. SHALALA. Senator, that is an interesting question to me, because when I was at HUD, I led a delegation over to HHS to see whether we could get them interested in matching their programs and fitting together—at that time, it was Title XX—with public housing and some other kinds of projects that we wanted to do. Their response was rigid and incoherent.

Let me assure you that seared in my memory is the inability of two agencies to think through what is best for people, and I am a friend of Henry Cisneros, the Secretary-designate for HUD, and we share views about the need to integrate services, and you can be assured that we are very excited about the possibility. But I have had the experience before.

Senator WOFFORD. One of the often-heard criticisms about publicly-supported programs is that those who could benefit most from them don't even know how to apply for help, or they sometimes don't even know of the existence of the programs.

For example, our recent experience with the implementation of the National Vaccine Injury Compensation Program, and the great need for an increasing number of organ donors and bone marrow donors, particularly among minority populations, points out this need.

Have you thought yet about how you might improve the system of public notification and public education about the programs in your domain?

Ms. SHALALA. A little bit after watching the campaign, and that is that what was interesting about this Presidential campaign, I think more than others that we have seen, is the use of different kinds of communication modes. And I believe that that also has to be true for Government agencies; that we have to get away from the brochures and out to the media and different ways of communicating with people about available services. And I hope that our team at HHS and public affairs will begin to give us some very creative ways of communicating with people. And I am not just talking about MTV, but the world has changed in front of our eyes, and the old-fashioned ways of just putting out press releases or putting out a brochure or contacting existing organizations, we need to go beyond that in very different kinds of ways. So I have indeed thought about communications, and I've thought about communications as a way of managing the institution, too, because we need different kinds of feedback mechanisms.

Senator WOFFORD. Good. The Council on Graduate Medical Education, authorized in 1986 by Congress, provides an ongoing assessment of physician work force trends and recommends appropriate Federal and private sector efforts to deal with those needs. The legislation calls for that council to serve in a broad advisory capacity to the Secretary and Congress on issues ranging from the current and future shortages or excesses of physicians in medical and surgical specialties to appropriate Federal policies on financing of undergraduate and graduate medical education.

In the third report of the Council released this week, key findings note that health care reform and cost control strategies are being hindered by a shortage of generalists and a surplus of specialist positions and too few minority positions and shortage in rural and inner city areas, etc.

Have you had time to think yet about how, as Secretary, you would lead us in responding to these great needs that that Council is presenting to us?

Ms. SHALALA. When the powerful economic incentives go the other way—that is, not toward primary care, not toward rural physicians—but goes in the direction of the tertiary care, of the more sophisticate machinery, of the complex clinics and hospitals, it is not surprising that we are struggling with trying to attract young people to primary care and to family medicine and to going into rural areas. And while I am in favor of targeted scholarship programs, we have been playing around the margins. If we really want to respond to those issues, we have to look at the fundamental incentives that we put into the system, and I think as part of national health care, we are going to try to do that.

In saying that, it doesn't mean that I'm going to suggest that we take some of the financial aid away, but simply that I understand that there are economic forces out there that are overwhelming some of the other things that we are trying to do in a narrower and more targeted way.

Senator WOFFORD. Once again, in a targeted way, a broad targeted way, you seem to be right on target.

My last question has to do with Agency for Health Care Policy and Research, which has the lead responsibility in dealing with cost control, quality, and access issues that deal with the effectiveness of existing and new medical treatments and technologies and effective practice guidelines. As I understand it, that agency has a budget of $125 million, or a little more than one one-hundredth of one percent of total spending on health care. In light of our current crisis in health care and the broad mission of that agency in supporting outcomes research, health service research, practice guidelines development, technology assessment, I hope you will review the funding for that agency, and I would be interested in your thoughts on how important you think such an agency is in a reformed health care system.

Ms. SHALALA. Senator, every research unit in HHS is about to get energized, because we need them all if we are going to be able to do this proposal. And in the process, we will be able to make some assessment of their capacity and the additional things they need.

It would be unfortunate if we designed a program without a first-class evaluation and both a quality assurance system as well as an accountability mechanism built in. I think the researchers have to be at the table so that as we are putting this together, we are also thinking about how we are going to get quality research that will tell us what other kinds of changes we need to make as we are going along.

So you can be assured that, not only because I come from the public policy research tradition, but because I understand the importance of it to what we are trying to do in these programs, that we are going to put some energy and probably some resources into these areas.

Senator WOFFORD. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

There are just a few final areas that I just want to touch on. As you are looking at long-term care, I am sure you have had a chance to examine the Pepper Commission report. It has a number of different recommendations that consider both home care and long-term care. The other important feature to be addressed is the spend-down problem. Are we going to bankrupt every senior citizen prior to this issue getting any attention? Where is the appropriate balance? I think the report really lays out a remarkable set of alternatives which I hope you might get a chance to look at. I know you've got lots to review and look at.

And I welcome the fact that Senator Mikulski raised the whole issue of preventive care. We had a very interesting hearing on Monday at Boston University where Dr. Bernadine Healy testified, along with a series of women's health reasearchers. At the hearing, for example, I learned that 30 years ago, diabetic mothers with infants had a 50 percent mortality rate. Now, the mortality rate is virtually identical to nondiabetic mothers. Preventive care has important implications in research, health care costs, and technology reviews.

One item I would like to focus on is tobacco. I'd be interested in what we might be able to expect in terms of leadership in the ad-

ministration in general and yourself in particular on this issue. I feel this is a very important issue in light of the most recent studies about the health impact of passive smoking, the significant increase in lung cancer among women, and the fact that young teenage women are increasingly involved in smoking. What can you tell us about any suggestions you might have on this issue?

Ms. SHALALA. Senator, I am famous at Wisconsin for two things—for firing the football coach and for ending smoking on campus in all public buildings. I have dealt with the smoking issue as an administrator trying to improve the health of my colleagues and the students at the university by eliminating smoking from most of the public buildings, but more importantly by being supportive of those who wanted to quit smoking at the same time, by integrating our commitment to helping our workers stop smoking while we were phasing out smoking in our own facilities.

Again, with smoking, this is one of those interventions that if we could reduce the number of teenagers who smoke, we could change the population that has certain kinds of diseases at the other end. So again, powerful incentives and a focus on turning off young people in terms of smoking would make a considerable difference in terms of our long-term costs, and more importantly, our long-term health.

The CHAIRMAN. Well, we look forward to that. A number of us are interested in that area. It also has implications in foreign policy areas. Our special trade representative insisted that some countries reverse their laws with regard to tobacco to conform with our special trade regulations so that we can export tobacco products and inundate other countries. The fastest-growing commercial industry now in the Soviet Union is cigarette production, and these are basically American companies over there. There are some things that can be done and others that cannot, but to have your clear voice of support in that area will be important.

I would also like to touch on the issue of drug abuse, which is a matter of concern for several committees. The Armed Services Committee deals with interdiction; the Judiciary Committee deals with prosecution, and this committee deals with education and rehabilitation and the range of treatment services. In the 1988 bipartisan task force in the Senate, it was generally agreed that we would have approximately 50 percent spending on the supply side and 50 percent on the demand side. We are at about 70 percent now on the supply side, and that has only been reduced because of the treatment funding that Senator Byrd put in a few years ago, trying to do more on the demand side; that was several hundred million dollars for demand reduction.

We are spending approximately $12 billion a year on the antidrug effort. Have you formed any impression about allocation of resources, which may give us a pretty clear indication of where the administration's priorities are.

Ms. SHALALA. Senator, the President-elect has talked about treatment on demand, has talked about the need for us to have more treatment available for those who need treatment, and I think that's an indication that he too thinks there ought to be a better balance between the two strategies.

The CHAIRMAN. Well, I certainly hope so, and we'll have a chance to get into that at a later time, and I look forward to it.

I want to discuss two final areas. The first is the area of AIDS. The President-elect has talked about the development of a centralized policy on AIDS issues. There are a variety of different issues including research, and how we are going to get the various pharmaceutical companies to work more emphatically in this area in terms of developing products that can be helpful in terms of the disease; the treatment issue; the support of funding for care, the Ryan White bill. One thing we have seen in recent years is that we really haven't had the coordination of a really effective program as well as the international and other challenges.

What can you tell us about what you intend to do on this issue? Will the leadership come from HHS or the White House directly? I'm not so much interested in the organization as in the intentions. What is your intention, and to the extent that you can tell us, what is the intention of the administration?

Ms. SHALALA. The President-elect has indicated that he does believe there ought to be a strong leader on the AIDS issue. While some of the programs obviously will continue to be in HHS, President-elect Clinton has said that he would like to fully fund the Ryan White bill and that we need to put more money into research on AIDS, but that more than anything else we need a strategy, a disciplined strategy on research, on treatment, on outreach throughout the administration—and it is not just the Department of HHS.

While the final decision hasn't been made, I am anticipating that the AIDS czar will have a White House affiliation to make it very clear how high a priority this is, and we intend to be aggressively supportive and are already looking at our own budget and what things we might recommend within our own budget so we can work very closely with the person when they are appointed.

The CHAIRMAN. I think the education aspect as well is going to be enormously important.

Ms. SHALALA. Right.

The CHAIRMAN. Finally, on FDA user fees. Senator Hatch and I, as well as others on the committee, have been particularly interested in strengthening the FDA. The user fee legislation we passed at the end of the last session marked the first time that we have been able to get those who are using an agency to be willing to contribute to its operation. Hopefully, the fees will expedite the review of prescription drugs that can have a positive health impact and also be sensitive particularly to the new products that are going to be produced in the biotech industry.

You will follow that closely and give it your full and complete support?

Ms. SHALALA. I will, Senator.

The CHAIRMAN. Good. Thank you very much.

Senator Kassebaum.

Senator KASSEBAUM. Mr. Chairman, in your opening questions, you laid out various parts of the scope of health care reform, and there were a lot of "hoped fors" in your broad view of what this should accomplish. I think you and I both support comprehensive plans. I am a strong believer that if we do it by bits and pieces,

we can't really get it put together as it should be. In that regard, I would like to ask just a few more specifics than have been asked so far about the plan.

One, do you think there should be a limitation on the deductibility of health benefits?

Ms. SHALALA. I can't answer that, Senator. We haven't gotten to that level of detail yet.

Senator KASSEBAUM. I realize that. One, you couldn't give your own personal answer, and I'm sure the administration has not reached that point either. I know that there are many of us who do believe that a limitation on deductibility is an important component——

Ms. SHALALA. We certainly will give that into account.

Senator KASSEBAUM. —and would only say that you would have some support here if that indeed is part of the recommendation.

Ms. SHALALA. OK.

Senator KASSEBAUM. Do you believe Medicare and Medicaid should be phased into any program, or should they be left separate programs? Are you able to comment on that?

Ms. SHALALA. No, I'm not able to comment on that. We obviously have to answer that question, though, as we come in with our proposal, on how they will be restructured as a result of the proposal. One could anticipate some restructuring, but I can't tell you specifically how we are going to do that.

Senator KASSEBAUM. Again, I would just say I believe this is important. I don't think you can get at the costs or the care that we are going to need to address if we don't include them in that process. I think that is particularly true as we look at the escalating costs of Medicaid and what that is doing to the States, and as we add additional mandates from here. Along that line, let me just say that I have some questions for you from Gov. Pete Wilson that I would like to submit for the record.

[The responses to Governor Wilson's questions were not received by press time.]

Senator KASSEBAUM. We have talked about long-term care. My BasiCare plan includes long-term care, phased in. I realize that, actuarially, this is going to be difficult. However I am a strong believer that, if we don't include it, we are leaving out what in the future, in the next decade, is going to be a very important issue for us. I think we've got to be able to take it into consideration at this time.

Kansas ranks 13th in States of population 65 and over, and I think that for many States—and Senator Mikulski is right—demographics come into play in many ways. This is one area that is extremely significant, and that is why I thought we had to address it as part of the whole. If we leave it out, the costs, of course, are going to be significant. My children should have to carry it in their benefit package at their ages now, rather than wait until age 65 and wonder what to do about it. That way, you have spread the cost. In my package, long-term care would be a required component of the basic benefit package. And that's the only mandate that I would say we should do, but I do feel strongly about that.

I am also a strong believer in community-based health care for primary care. As I envision the health care legislation, I would ac-

tually double current funding in the area of community-based primary care.

Kansas has only one Federal community health care center, although there is a second one that is going to be started. I personally feel that as we look at this issue, and as we look to the whole sector of public health, it is important that we support not only Federal community health centers, but also community departments, churches, and the like.

On another issue, in talking about public health and tuberculosis, and the need to coordinate services, I would just point out that tuberculosis prevention is under CDC, and yet tuberculosis vaccine research is currently conducted under NIH. How much coordination exists among them, I am not sure, but I think again, whether it is as Senator Dodd was speaking to, coordination and integration in delivery services for families, it really cuts across health care as well. The Public Health Service is an extremely important component of those responsibilities.

So I don't know if you have had the time to reflect on any suggestions for better coordination within the Public Health Service and its delivery systems?

Ms. SHALALA. No, but obviously they are both under the assistant secretary for health, so that allows us to talk to that individual, once appointed, about better coordination. And again on tuberculosis, where we clearly have been sent a signal that we need to move, we will need a strategy, and I know that CDC has already worked through some of these issues, and I will be looking at them with the new assistance secretary for health as soon as we both get onboard.

Senator KASSEBAUM. I would like to associate myself with Senator Dodd's comments. You have addressed it, too, when you speak to integration and coordination and a mutually-supportive environment. I was interested in your comment that it almost takes a change of culture, because no one knows better than you how difficult it is to cross turf. It is true in a university, it is true in the Senate, and it will certainly be true at HHS. I think it is a time that everyone is really conscious of its being so important to be willing to bring innovation and some risk to changing our delivery systems. I can't think of a more important task, and I think this committee will really look forward to working with you in trying to achieve that. I think it would be a service to future generations that would simply be beyond our ability to realize today.

Thank you.

Ms. SHALALA. Thank you very much, Senator.

The CHAIRMAN. Senator Pell.

Senator PELL. Thank you very much.

I have just one question or point, and that is in connection with mental health. I believe Mrs. Gore is very interested in the importance of this and the importance of focusing on the mental health particularly of children. So many other problems flow from poor mental health. As an example, many of our homeless people would not be wandering around the way they are if their mental health had been attended to at an early age.

I was just curious as to your plans in this regard.

Ms. SHALALA. Senator, I did talk to Mrs. Gore the other day. We spent a few minutes together talking about her interest in mental health issues particularly in relationship to children. And we are going to get together, and I have assigned lead staff to work with her. This obviously fits into our strategy for children and families, and I look forward to working with you and with other members of the committee on those issues.

Senator PELL. Thank you very much.

Ms. SHALALA. You're welcome, Senator.

The CHAIRMAN. Senator Dodd.

Senator DODD. Thank you, Mr. Chairman.

Very briefly, first of all, let me commend you, Dr. Shalala, on your comments on the marketing ideas in terms of some of the present problems and the need for ideas for getting them before the public. Someone said the other day that if Madison Avenue can be so successful in marketing $90 or $120 sneakers in some of the poor areas of this country, by God, we ought to be able to do a better job on education and on health and on a variety of other issues that you are familiar with. So I strongly endorse that concept, and I think there is a lot that can be done there.

Second, I want to commend you for emphasizing the word "quality" in talking about health care and in talking about research. Too often in the debate on health care, we have limited the discussion to access and cost, two very legitimate issues, and downplayed the notion of quality. And I find your emphasis on it here this morning heartening, because it is a critical, critical element. To increase access and reduce cost, and then undercut quality, with every other complaint we have—and Lord knows, there is a legion of them—about our present health care system in this country, overlooks one thing is true: that if you can access it and afford it, it is the best health care in the world. And as we talk about increasing access and reducing cost, I hope we don't sacrifice quality in the process. And your emphasis on it this morning I find encouraging.

Third, I want to underscore what Senator Kassebaum has said about Medicaid and Medicare. We talked about it a lot in my campaign in Connecticut. In my view, the purpose of Medicaid is, of course, to serve those who presently cannot afford health care, and we are seeing it abused by people who divest themselves of their assets, pass them on to their children and show up at the Medicaid window. That is a total abuse, in my view, of what that program was set up to do. And the fact is that 80 percent of the Medicare dollar is spent in the last 20 days of a person's life. That raises some very complicated issues, but nonetheless I think it is important for you to be aware of it. Certainly it is easy enough to cite those statistics, but to then start to deal with them is another matter. I'm not asking you to do that, but am just to raising it on the screen here. I know you care about it as well.

There are two others items I would ask you to give brief comments on. One is the child care issue. I am hoping we'll have a good, strong administrator for that particular issue, and I expect that will be the case. Those of us who have been involved in this area are particularly interested in seeing what can be done to strengthen standards and the quality of child care across the country. That's one area I would like you to quickly address.

The last item—and then I'll stop and let you respond and give my colleagues a chance to finish up—is on the NIAAA and NIDA, the whole question of addiction and again, going back to the question of trying to make sure dollars go as far as they can. Now, this is a dicey one because there are constituencies around the issues of alcoholism and drug abuse. And yet we are talking about addiction, and I am convinced that more and more, there are some very strong underlying themes in these areas. When we look at how we spend a dollar in dealing with addiction, where we have competing agencies and competing constituencies, for very strong reasons I think this distinction is diminishing dramatically. Maybe the time has come to talk about how we can consolidate these efforts. I want to tell you that's a tough one, too. I raised this issue a few years ago, and I was deluged with people who were concerned that somehow I didn't care enough about one or the other. And I have limited it to these two examples, but there are other areas of addition as well that need to be examined. But I wonder if you might just share generally some ideas on this question, whether or not you think that is a wise course to examine or whether maybe it is too difficult to take on?

Ms. SHALALA. Senator, on the first issue, child care, after being on the other side, working with all of you to get a very good bill, you can be assured that I am holding myself accountable to make sure we have a strong administrator and we take the next steps that we have been wanting to take.

On the second issue that you raise, since you led me a little through the politics, I'd prefer to pass on that issue and make sure that I am right on top of it before I make some comments about preliminary thoughts.

Senator DODD. Those were pretty good red flags I raised there, weren't they?

Ms. SHALALA. Yes, and I appreciate it, Senator.

Senator DODD. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Simon.

Senator SIMON. You are getting these scattershot things from us right now, and until you are confirmed, you simply have to sit and smile and be very nice to all of us, and we take advantage of it.

Ms. SHALALA. And not make headlines. [Laughter.]

Senator SIMON. Four things, very quickly. One, I was pleased with your reaction to Senator Mikulski's intergenerational comment. In 1968, 30 percent of those over 65 lived below the poverty level. Today, it is 12.5 percent. In that same year, 1968, 15 percent of children lived below the poverty level, and now it is about 20 percent.

The answer is not to pull down those who are older, but to rejoice in a system that actually has worked and get something that works for those who are younger.

Second, when you talk about communicating with people and marketing more effectively, I hope that communicating will be a two-way street. And just a suggestion—I think it would be a great thing if you were to resolve once every 2 months to have a town meeting out there, not just with research people from universities, or Social Security officials and others, but with average citizens,

just to listen to what they have to say. I find town meetings very, very helpful to me, and I think a Cabinet member, particularly in your field of responsibility, would find it very helpful, too. Just a suggestion to toss along.

Ms. SHALALA. Thank you.

Senator SIMON. Third, to follow up on what has been mentioned here about violence in our society, CDC is now starting a new Center for Violence and Health. I hope you will give that your strong support. And I think that has to mean a good look at where we are going with guns in our society, and I hope the administration will be very vigorous here. None of us wants to take away guns from responsible citizens and sports people, but we just cannot continue down the path that we are going right now. I think devising a strategy ought to be part of what you do, and I think it is directly related to the health needs of this country.

In that connection also—Senator Kennedy mentioned the drug scene—I hope you will convey to the powers that be that we ought to be very careful in selecting a drug czar. I voted against Bill Bennett, and I voted against Bob Martinez because they would not make a commitment not to engage in partisan politics. Frankly, both did a great deal of it. When we had the Democratic Convention in New York, the Republican spokesperson to respond to the Democratic Convention was Bob Martinez. Now, he is a fine person, but the drug czar shouldn't be doing that.

And just as I was opposed to it under Republicans, I am opposed to it under Democrats. If we don't get a commitment from the drug czar that he or she is going to refrain from partisan politics, I am going to oppose that person.

In the Federal Government generally, one out of 3,000 persons is a political appointee. It increases a little in various offices, and then all of a sudden, it shoots up. In the Office of the Drug Czar, 42 percent are political appointees. I think that's the reason why we've had this emphasis on what is popular, rather than what is effective. I want to see that Office of the Drug Czar really do a job for this country, and I hope you will weigh in with the administration as we look at who the drug czar ought to be.

And let me just add that what I like best about you is that I think you bring brains as well as compassion and a sense of mission; I think you are going to do a great job.

Ms. SHALALA. Thank you, Senator.

Senator SIMON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Wofford.

Senator WOFFORD. I don't know that you should take the Senator from Illinois fully seriously about the town meetings. I read in a Peoria paper that I think in the last five or 6 years, you have had 518 town meetings. You have a lot to do.

Senator SIMON. Well, I assume she will have 518 in the next 4 years.

The CHAIRMAN. That's if she shakes all those hands that Senator Mikulski mentioned. [Laughter.]

Senator WOFFORD. Just a last point or two. Do you sense the need for finding ways to get fiscal clarity in this country about how we are paying for our health costs now? We are all asked when we

talk about health care reform who is going to pay for it, and you so often realize that those asking don't realize that they are paying 800-some billion dollars now, projected to increase by $100 billion this year, either through their own premiums, their employers' premiums, or for their State and Federal taxes, and it just doesn't show. It doesn't usually show clearly on a pay check that you aren't getting salary wages because they are going to health care cost increases. And somehow in health care reform, it seems to me we ought to strike very hard toward measures that will get real clarity to people.

Ms. SHALALA. If the consumers are really going to have power, they are going to have clear information about what the real costs are of the packages where they are looking at the alternatives. That is very important.

What has happened, obviously, is that we have sort of buried it into the plan. Most people don't realize that as we squeeze down the public costs, the private costs have gone up because we have simply transferred them over.

I think the communications effort and the education effort are as important as the substance itself this time around as we march through this. And the President-elect, who obviously is a very good communicator, we hope to be very supportive of his efforts to start to lay out to the American public the issues, using a variety of different kinds of communications strategies.

And again, I don't know whether I'll go to 500-some meetings—I certainly shake that many hands every year at commencement—but using modern media techniques, whether it is—I happen to like talk shows because you get a sense of how the public is feeling about different issues—and then formal feedback mechanisms like the use of surveys and questionnaires to get response, as we begin to see how people are thinking and how much they know and how to communicate—not in a manipulative way. You can build consensus in this country if you don't want to be absolutely dominated by the interests. The only way to build consensus in this country is to have everybody understand what the issue is. And I think the interest groups are important because they do translate and play that education role, but we need broader education as we work our way through this issue, and that means that all of us have to play that kind of role.

One of the things I am going to try to do as I recruit and attract people is to make sure I find attractive, articulate people who can go out and explain the real costs to people.

Senator WOFFORD. One last question, connected in some sense with patient and consumer clarity and choice, is the Patient Self-Determination Act, which aims to give patients the ability to have more say in their medical treatment as to particularly heroic measures. It could have considerable impact on costs in the last days of life.

Are you hoping to monitor the implementation of that carefully?

Ms. SHALALA. Absolutely, Senator. As you know, women in this country have changed the treatment for breast cancer because they asked hard questions that people didn't want them to ask. And in women's health in particular we have learned that, while we have enormous respect for the medical and health community, we need

to ask questions ourselves about what alternatives are available to us. And I think that is true of the public in general, and anything we can do to empower the consumers, to make them more literate about what is happening to themselves, to their own bodies, to their families, it helps us in the long run in terms of building consensus for programs where we are going to increase the number of participants and the quality.

Senator WOFFORD. Thank you.

Senator SIMON. Mr. Chairman, I don't mean to overdo this—and I am all for the talk shows, and I am all for using the current technology—but there is nothing quite as good as actually seeing somebody break down in tears as they tell you his or her story.

Ms. SHALALA. Yes, Senator, I agree with that. I have spent the last 5 years going from one end of Wisconsin to the other, talking to rotary clubs and community groups, and I am actually quite comfortable in that environment. I am simply saying that we need to add to that modern communications. But there is no substitute for my faculty senate meeting, I can assure you, in terms of understanding what is going on.

Senator SIMON. Great. Thank you.

The CHAIRMAN. We take a special interest in the neighborhood health clinics, which were initially developed by Count Gibson and Jack Geiger in the early sixties at Tufts Medical School, where I got the idea for the legislation. They were down in Mississippi at Columbia Point and Mount Bayou, and then eventually we were able to develop it in a broader context. So we are glad to have support for that.

In the fashioning and shaping of the legislation, I think we have got to make sure that these kinds of clinics aren't going to be squeezed out because of competitive forces. This is something that down the road, after we get past the macro policy questions about the tax deductions and limitations. It is important to note that people have collectively bargained and sacrificed wages for these additional benefits, many of them in the area of preventive health care, and to have this eventually wiped out now, after they have gone through that and sacrificed over a long period of time would be very difficult. There are obviously complex tax implications and cost control issues to be considered. But I would hope that as you are looking at it, you will remember that it is the result of a good deal of sacrifice in terms of increased wages, and many of those are in the area of preventive benefits, which we have been trying to get people into. So it isn't quite as easy as one might imagine.

Merged competition poses special problems for the clinics and other organizations serving the poor, the chronically ill, and so on. I think these are very important, and hopefully we can talk about the systemic changes which are necessary to assure these groups get the services they need.

One of the things which has been happening and which I would just reference, since there has been some mention of mental health—Massachusetts now has moved on a competitive basis in terms of managed care in mental health. They have made the decision in the State, after a group did it very successfully with a major part of the CHAMPUS program, and they have cut down costs, with savings according to GAO of about $100 million, and

have provided a much wider range of benefits and care for people in the mental health areas. I hope, that as we are moving ahead in terms of comprehensive care, which I know the President-elect cares about deeply, we also want to make sure that we are going to be able to permit innovation that can increase services and reduce costs.

Finally, let me just mention that one of the last bills we passed was the children's TV bill, with a $50 million authorization. We had jurisdiction because we focused on the Head Start, Chapter 1 program. And as you well know, there is an enormous lack of funding for the development of quality children's TV programming. Yet this is a vital way to reach many children with educational tools that will help them start school ready to learn. We have tried in the Congress to insist as a condition of relicensing of TV and radio stations that they focus on children's programming, and none of it has worked.

We have received a lot of very impressive testimony about the importance of providing some stimulus to children's educational programming television. We are going to need some small amounts of funding to get it started, but I think it ties into a number of the important things that have been addressed here, and I thought I would just flag it. You've had many flags out there today.

I want to thank you. It has been an enormously interesting hearing and one from which I have certainly learned a good deal. We look forward to supporting your nomination with even greater enthusiasm.

All written questions should be submitted to our office by close of the business today. If there are others outside the committee who have written questions, they should be done at the behest of a member.

[Additonal material follows:]

BIOGRAPHY OF DONNA E. SHALALA

Donna Edna Shalala has dedicated her life to public service. She brings two decades of experience in management, social policy creation and analysis, as well as compassion, energy and superb leadership skills to the office of the Secretary of Health and Human Services.

Shalala was born in Cleveland, OH, on February 14, 1941. She grew up in a close-knit family of Lebanese-Americans, including parents, grandparents, cousins, as well as a fraternal twin, Diane. She remains close to her midwestern-based family, spending time with her sister's children in North Dakota whenever she can. Her father, Abraham, owned several grocery stores and her mother, Edna, was an avid tennis player who combined law school, a teaching career and child rearing. Shalala played shortstop in a city youth league called the "West Boulevard Oakley Annies," a team coached by Yankees' owner George Steinbrenner.

Shalala graduated from Western College for Women in 1962 and immediately joined the Peace Corps, spending 2 years teaching in Iran. After earning her Ph.D. from Syracuse University's Maxwell School of Citizenship and Public Affairs in 1970, Shalala taught at Bernard Baruch College and then at Columbia University. From 1975 to 1977, she was director and treasurer of the Municipal Assistance Corporation, the entity formed to bail out the city of New York. Her performance drew rave reviews from Wall Street to city administrators. Shalala was then appointed assistant secretary for policy development and research at the U.S. Department of Housing and Urban Development, a position with a staff of 250 and a $100 million budget. While at HUD, she oversaw the establishment of funding for battered women's shelters, and the commissioning of special studies of the housing needs of families headed by women.

In 1980, Shalala became the youngest woman to lead a major U.S. college when she assumed the presidency of Hunter College, part of the City University of New

York system. She inherited a college in crisis, but acted quickly to rescue it, recruiting students and raising $1 million for scholarships and financial aid.

Tapped to head the University of Wisconsin at Madison in 1988, Shalala took on the challenge of administering one of the Nation's largest universities, with a campus of 42,000 students and a $1.1 billion budget. She helped raise an unprecedented $340 million in private donations to the university and spearheaded a massive public/private program to build and renovate campus research buildings. But Shalala may be best known for her personal charisma and hands-on style of management. She attends Wisconsin athletic games, personally welcomes students to the dormitories each fall, and once called a freshmen to tell him to phone his worried mother.

Shalala is deeply devoted to the issues surrounding children and family. She has been on the board of the Children's Defense Fund for over a decade. She was part of the committee that produced the influential Committee for Economic Development reports on strategies to better meet the health and educational needs of disadvantaged young children.

STATEMENT OF PRESIDENT-ELECT BILL CLINTON

DECEMBER 11, 1992

In the last 12 years, perhaps no department in the Federal Government has been ironically both more neglected and at the same time had an out-of-control and expanding budget often in the wrong areas than the Department of Health and Human Services. In the next 4 years, no department will be called upon to do more within the constraints of our obligation to reduce the deficit than the Department of Health and Human Services. The challenges will never be greater—to initiate a total overhaul of our Nation's health care system, to control costs and provide basic coverage to all Americans, to confront the escalating AIDS crisis, and to provide a healthy start for all of our children in an era of economic austerity, to do all this while working in partnership with States and localities, and with human service and health providers, people who understand and care deeply about these issues.

In naming Donna Shalala as the Secretary of Health and Human Services, I can think of no person in this country more capable of facing and conquering those challenges. As the chancellor of the University of Wisconsin and the president Hunter College, Donna has breathed new life into major higher education institutions that have battled the budget crises of the '80s. Her administrative experience, her analytical rigor and facility with numbers, her successful and constant devotion to total quality management in running her institutions, and her prior governmental experience in the Department of Housing and Urban Development are all strong assets that complement an astonishing natural leadership ability. All the mountains that Donna Shalala has climbed in the past will be dwarfed by the ones she must now climb, but I am confident that she can do it.

The Transition: Clinton Widens the Scope of His Team

A Believer In Action

Donna E. Shalala

By SUSAN CHIRA

Dr. Donna E. Shalala, an energetic, exuberant administrator who has never been shy about trumpeting her considerable achievements, is now going to tackle two of the most intractable problems in American society: health care and welfare.

Woman in the News

Characteristically, she is almost unnervingly confident that she can make a difference as Secretary of Health and Human Services.

"My own administrative experience is in managing large complex institutions that have fiefdoms," said Dr. Shalala, who has served as president of New York City's Hunter College, was an assistant Secretary of Housing and Urban Development and is now the Chancellor of the University of Wisconsin at Madison, which has 42,000 students, 16,500 employees and a $1 billion budget. "A place like H.H.S. is a natural for me."

The Department of Health and Human Services has a $539 billion budget and 125,000 employees.

Confidence in Abilities

Dr. Shalala, who is 51, has built a reputation as a dynamic, effective leader, one as sensitive to politics as to policy. Those who work with her say she knows how to set an agenda, act quickly to defuse problems and delegate authority while keeping an eye on details. They say she is someone who truly believes she can change things, and often does.

Her colleagues in Madison and at Hunter praise her for recruiting more minority faculty members, aggressively raising money, reaching out to students and pushing through construction projects. Many on both campuses also say she transformed the way they and outsiders looked at their schools, promoting them through her carefully-tended political connections, public speaking and infectious enthusiasm.

Dr. Shalala (pronounced shuh-LAY-luh), who is single, is best known as an educator and an expert on urban finance and was often mentioned as a candidate for Secretary of Education. She says she has learned a great deal about the financing of health care by overseeing the University of Wisconsin's teaching hospital and has long been immersed in issues of children and poverty through service on boards like the Children's Defense Fund, where she succeeded Hillary Clinton as chairman this year.

She and others say her best qualification is her ability to cut through bureaucracies, something she learned the hard way in her first government job in 1977. In a rare admission, she says she was unprepared for the savage jurisdictional battles of Washington, and even told an interviewer at The New York Daily News in 1980 that there were days when she cried herself to sleep. But she took away two lessons: "I learned you have to get a fast start, and you have to have sharp elbows."

5 Areas for Action

She will apply these to what she sees as five major initiatives in her first year: health-care financing, expanding the Head Start preschool program, immunizing all American children, combating AIDS and mapping a national science and technology policy. Welfare reform, a major plank of Mr. Clinton's campaign, will take more time, she says.

Her friends describe her as a woman of straightforward drive who began early in her career to do what successful men have always done: cultivating a wide circle of influential friends and make sure they knew about her accomplishments.

"If Bill Clinton has been running for President since he was 2, Donna has been running for Cabinet Secretary since she was 5," said Carol Bellamy, an old friend and former New York City Council President who is now a managing director of Bear, Stearns.

> The credo: a fast start and 'sharp elbows.'

Joseph S. Murphy, the former Chancellor of the City University of New York, said he remembered hearing about Dr. Shalala as an up-and-comer when she was in the Peace Corps in the early 1960's. She became famous overnight in New York in 1975 as the only woman on the Municipal Assistance Corporation, formed to rescue New York City from fiscal crisis.

Childhood in Cleveland

When she went to Washington in 1977, she helped found the Washington Women's Network; later, she was invited into the Women's Forum, another networking group. As she told a

reporter in 1981, "The more lists you show up on, the better your chances become."

Such determination comes naturally to her. Donna Edna Shalala was born on Feb. 14, 1941 in Cleveland. Her mother, Edna, still a nationally ranked tennis player in her 80's, raised twin girls while holding down two teaching jobs and going to law school at night. Her late father, James, was a real estate salesman.

Dr. Shalala received a bachelor of arts degree from Western College for Women in 1962, then went on to receive her masters and Ph.D. in political science from Syracuse University in 1968 and 1970.

Even as Dr. Shalala juggled demanding jobs in Washington, New York and Madison, she served on a slew of national commissions, boards and panels.

The Donna Shalala her friends know is one seemingly without inner demons, whose zest for public life, lack of guile and glee about her success sometimes veer into self-promotion.

"Donna is one of the most extraordinary intelligences I know, one of the most focused people I know and one of the most competitive people I know," said Robert F. Wagner Jr., former president of the New York City Board of Education and an old friend. "Donna is so proud of having made it. Carol Bellamy and I joke about Donna's delight in telling us who was at the dinner party. But it's so open it's not troublesome."

When asked about the talk that she had been considered for more than one Cabinet post, she replied, "It says a lot about me." And she hastens to make sure the reporter has heard the story about how she woke up a student on a Saturday morning to tell him to call his mother because the frantic parent had not heard from her son in weeks.

But Dr. Shalala is hardly alone in courting the press or the powerful, and many of her colleagues say that same self-confidence and openness about what she wants help make her a good manager.

"Donna was the leader of this institution," said Sanford Wurmfeld, chairman of the art department at Hunter College. "If you needed something, you would go to Donna."

Blueprint for Change

At Madison, Dr. Shalala made her mark quickly. Less than a month after arriving on a campus seething from years of racial tension capped by a fraternity's mock slave auction, Dr. Shalala released the Madison Plan, which included pledges to double the number of minority faculty members and freshman minority students and to require ethnic studies courses for all students. She met most of her goals but fell far short in recruiting minority freshman. Because the university draws many of its undergraduates from a state with relatively few minority students, she says she simply picked too high a number for her goal.

During her tenure, Dr. Shalala drew the enmity of some on the right and the left. University regents like Phyllis Krutsch say her emphasis on multiculturalism undercut general education; several student groups accuse her of giving only lip service to progressive ideas.

Like her new boss, the President-elect, Dr. Shalala has always argued that pragmatism is the surest way to do good. "Power is fun," she once told an interviewer, a remark that goes to the heart of her many selves. Elaborating after getting her new post, she said: "I think that being able to do good is fun. Being able to make things better is sheer fun for me."

The CHAIRMAN. The committee stands in recess.
[Whereupon, at 12:43 p.m., the committee was adjourned.]

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